

Mekelle University

The School of Graduate Studies

Faculty of Dryland Agriculture and Natural Resources



**Assessment of Internal Control Systems
Of Multi-purpose Cooperatives in Enderta Woreda,
Tigray, Ethiopia.**

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In

Cooperative Marketing



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Declaration

This is to certify that this thesis entitled "Assessment of Internal control Systems in Multipurpose Cooperatives, a case study of Enderta Woreda, Tigray" submitted in partial fulfillment of the requirements for the award of the degree of M.Sc. in Cooperative Marketing to the School of Graduate Studies, Mekelle University, through the department of Cooperatives, done by **Tesfay Negash Gebrehiwot** ID.NO.FDA/PR0022/99 is an authentic work carried out by him under my guidance. The matter embodied in this project work has not been submitted earlier for award of any degree or diploma to the best of my knowledge and belief.

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Abstract

The focus of this paper aims at assessing the internal control systems in multipurpose cooperatives in Enderta Woreda. This research took the view that the internal control existing in multipurpose cooperatives is not competent to lead the cooperatives strategically to accomplish their purpose.

Interview Schedule with five point scales were administered to a sample of board members, members and paid employees of the six multipurpose cooperatives. Besides, focus group discussion was conducted with selected informants. The research has used descriptive statistics to analyze the data.

The study considered the attributes of internal control systems as per the COSO model.

These attributes are: Control environment, Risk assessment, and Control activities, Information and Communication and Monitoring.

As per the analysis, the level of education of members is low to understand the mission of their cooperative; members give lower attention to the operation of their cooperative; shortsighted leadership and members; less commitment to participate in the annual cooperative meetings; membership with less confidence in the cooperative leaders and lack of cooperation among cooperatives.

In general, the findings of the study revealed that the internal control system in multipurpose cooperatives is still far from the best practice of internal control systems.

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Acronyms

MPCS Multipurpose cooperative Societies

BoD's Board of directors

ACCA Association of Chartered Certified Accountants

ILO International Labor Organization

COSO Committee of Sponsoring Organization

AICPA American Institute of Certified Public Accountants

AAA American Accounting Association

ICS Internal Control Systems

IMA Institute of Management Accountants

ICA International Cooperative Alliance

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Chapter I: Introduction

1.1 Background and Justification of the Study

“Cooperatives empower people by enabling even the poorest segments of the population to participate in economic progress; they create job opportunities for those who have skills but little or no capital; and they provide protection by organizing mutual help in communities”¹

People learned ages ago that by working together they can accomplish more than the sum of each individual's efforts. Early cultures recognized the advantage of collective strength and the potential of cooperation by hunting, living, worshipping, cooking and providing shelter together in groups. The history of human economic cooperation is perhaps older than the history of competition. Even before agriculture had become the basis of human economy, cooperation was a necessity. CDS² (2002) describes that the idea behind the cooperatives can be traced back to as long as 2067 BC when king Humm introduced a cooperative form of tenant farming.

Other early forms of cooperatives include credit union, guilds in Rome, and funeral benefit societies in early Greece. While cooperatives have a long history, it was the industrial revolution, which is generally considered as the heralded in the modern form of cooperatives. The cooperative movement began in England, in the second half of the industrial revolution. With the loss of the common use of land, workers had nothing to sell but their labor. With no controls or right, labor was plenty and cheap. It was an age of child labor, exploitation and poverty. Those who failed to find a work in the new factories were forced to rely on meager parish relief for the poor to starve. By the early 1800's, food prices were high and wages were low. Much of the population suffered extreme poverty and deprivation. NAHC³ (2000), further says that during the early part of the century, the early 1800's, Robert Owen, a Welshman who made his fortune in textile, tried to establish

¹ Juan Somavía, ILO Director-General, June 2002 annual report of ILO

² Cooperative Development Society

³ National Association of housing cooperatives, USA,

cooperative communities. While experimenting in creating mini communities, Owen identified some of the profound underlying values of cooperation as a means of organizing economic activity. He is still seen as the intellectual founder of the cooperative ideals. In 1827, these ideas were taken-up by Dr. William King who started publishing a monthly periodical 'The Cooperator'. He urged the formation of small local cooperatives to tackle poverty and distress and improve the situation of working families.

The modern cooperative movement dates back to a group of twenty-eight textile workers who organized the *Rochdale Society of Equitable Pioneers*. In 1844, these weavers pooled 140 British pounds to open a small dry goods store stocked with oatmeal, sugar, butter and flour. Their effort was rooted in poverty and desperation. The previous year they had been fired and blacklisted by employers after an unsuccessful weavers' strike. International Labour Office (1964) states that the first cooperative was organized in 1844 in Rochdale, England, as a self-help consumer group of urban workers. Rochdale Pioneers Cooperative Development Society has incorporated several important features of democratic organization previously tried by earlier cooperatives. Most importantly, they codified their features and rules into what is commonly known as the Rochdale Principles. These principles helped strengthen the organization and formed the basis of a growth-oriented movement.

At this time cooperatives are playing an important role as a means to create productive employment, reducing poverty and enhancing social integration

Cooperative Developments in Ethiopia

Cooperatives have a long history in Ethiopia, starting from the Imperial era through the military regime (the Derg, 1974-1991). The largely negative experiences with cooperatives led to their dissolution following the fall of the Derg, until 1994 when the present Government of Ethiopia expressed renewed interest in collective action to promote greater market participation by smallholders (Proclamations 85/1994 and 147/1998). Accordingly, "it has become necessary to

establish cooperative societies which are formed of individuals on voluntary basis and who have similar needs for creating savings and mutual assistance among themselves by pooling their resources, knowledge and property; it has become necessary to enable cooperative societies to actively participate in the free market system” (Proclamation 147/1998). This was later re-affirmed in the Sustainable Development and Poverty Reduction Program (SDPRP, 2002) and the Plan for Accelerated and Sustained Development to End Poverty (PASDEP, 2005), in which cooperatives are given a central role in the country’s rural development strategy.

In 2002, the Federal Cooperative Agency of Ethiopia was created to organize and promote cooperatives at the national level. Its ambitious five year development plan (2006-2010) aims at providing cooperative services to 70% of the population by 2010. This is expected to be achieved through the establishment of primary cooperatives in each *kebele*⁴, and bolstered by the establishment of 500 new cooperative unions, six cooperative federations, and a cooperative league (Federal Cooperative Agency of Ethiopia (2006)). As a result of this policy thrust, cooperatives have expanded rapidly in Ethiopia

1.2 Statement of the Problem

The origin of cooperatives in Ethiopia dates back to the period of imperial rule. Owing to the weak political and economic structure of society and lack of commitment in implementation on the part of government the results proved to have no much impact on the cooperative idea.

After the down fall of the Imperial rule, the new military government comes out with new directives and policies for socializing agricultural development along with its Marxist ideology. Several agricultural cooperatives were organized by force despite the voluntary and freewill' promises made by the directives declared by government. Besides there has not been much effort to provide “the all round support to be given by the state “and hence cooperatives simply became

⁴ Lowest local units of self governance in Ethiopia.

agglomerations of individual farmers who were forced to bring their plots of lands for cooperative use.

By the end of the 1980s the new cooperatives proved to be a disaster despite the strong intentions of government to continue the process. Thus, the government had to abandon this course by declaring that peasants could disband them if they think these will not be beneficial to them. Hence about 90 percent of the cooperatives were disbanded within a period of three months after the declaration in a disorderly way.

In Tigray, the cooperative movement of the country was not practiced at all since the military government had no any control of the rural areas which were under the rebel Tigray People's Liberation Front (TPLF). The socialist cooperative movement in general was one of the main issues that discredited the military government owing to the rigid nature of its organization and the ways used to misappropriate the fruits of their labor.

This means the idea of cooperating agriculture created a subjective bias for the people who do not have much knowledge to distinguish the forms and modes of cooperation of either labor or some other resources.

Despite this however, the post 1991 Government of Ethiopia felt that there was a need for a new style of cooperatives development and issued a new proclamation. This means the present activities of the cooperatives were to be based on the new market oriented policies and the democratic processes that the country is following. Cooperatives should be registered through the appropriate agencies of government and manage themselves by their own elected leaders on the basis of their memorandum of association.

Government agencies are expected to provide technical support including the facilitation of credit services and others.

Nevertheless, the cooperatives are new economic organizations that are surrounded by various difficulties. Some of these are managerial problems which arise from the lack of experience

of cooperative societies and due to low level of knowledge of the members themselves. Economic problems are also found in the form of shortage of capital, limited availability of financing sources and the absences of collateral arrangements for borrowing. In addition to these there could be problems of market, conducive policy environment, bureaucratic red tape, working premises, information, etc.

In line with this, the aim of this research was to assess the internal control system of the multi-purpose cooperatives of Enderta woreda in the recently established South-Eastern Zone of Tigray.

1.3 Objectives of the study

The survey was designed to assess the internal control systems of the six multi-purpose cooperatives of Enderta woreda.

The specific objectives of the study are:

- ❖ To assess the internal control environment existing in the multi-purpose cooperatives.
- ❖ To assess the control activities existing in the multipurpose cooperatives.
- ❖ To evaluate the information and communication systems in the multi-purpose cooperatives.
- ❖ To develop constructive conclusions, suggestions and recommendations

1.4 Conceptual Model

The committee of Sponsoring Organization's (COSO) model developed by the American Institute of Certified Public Accountants (AICPA), the American Accounting Association (AAA), The Financial Executives Institute(FEI), the Institute of Internal Auditors(IIA) and the Institute of Management Accountants(IMA) has been adopted as the generally accepted framework for internal control by entities representing all sectors of business and government and is widely recognized as the definitive standard against which organizations measure the effectiveness of their systems of internal control.

The COSO model defines internal control as follows:

"Internal control is a process, effected by an entity's board of directors, management and other personnel designed to provide reasonable assurance of the achievement of objectives in the following categories:

- effectiveness and efficiency of operations
- reliability of financial reporting
- compliance with applicable laws and regulations"

In an "effective" internal control system, the following five components work to support the achievement of an entity's mission, strategies and related business objectives.

- Control environment
- Risk assessment
- control activities
- Information and communication
- Monitoring

The survey has been designed to assess the multipurpose cooperatives system of internal control within the context of COSO model described above.

The measurement parameters for each variable in the conceptual model are included in the literature review part in chapter two.

1.5 Hypothesis

1. Misappropriation of cooperative resources, poor management and corruption is due to weak internal control system of the cooperatives.

2. Weak internal control in cooperatives results in non-compliance to cooperative policies, plans and procedures.
3. The internal control system in multi-purpose cooperatives is not transparent to members, BOD's.
4. There are no clear duties and responsibilities of members, staff and BOD's of multi-purpose cooperatives due to lack of transparent organizational controls in the cooperatives.

1.6 Significance of the Study

The importance of the study is to identify efficient and effective operation of the multipurpose cooperatives, and to improve the internal control systems of multipurpose cooperatives. And also the study has provided certain suggestions and recommendations which will be helpful for promoters, managers and experts of cooperatives.

1.7 Scope of the Study

The study mainly focused on the opinion of members, BoD and paid employees with regard to internal control systems of multipurpose cooperatives.

The study tried to access the opinion of members, BoD's paid employees and management committee of the six selected multi-purpose cooperatives in the woreda and would emphasize only on the internal control systems of cooperatives.

1.8 Limitation of the study

Internal control is a *process*, a means to an end, not an end itself. Furthermore, internal control is affected by *people*, not only policy forms and manuals, internal control can be expected only to provide *reasonable*, not absolute, assurance to an entity's management and board, and, finally,

internal control is equipped to deal with the achievement of *objectives* in one or more separate but overlapping categories

1. 8.1 Definition of Terms

- **Woreda:** District, boundary for administration
- **Society:** Cooperative society.
- **Rochdale pioneers:** The people living in town, who are first in adopting the new concept of modern cooperative.
- **Principle :** Basic truth; guidelines; general law of cause and effect
- **Primary cooperatives:** Lower level cooperatives which is established by individuals
- **Member:** Means any physical person or society established under this proclamation which is registered after fulfilling his/her membership obligations.
- **Bylaw:** Cooperatives document which contains articles approved by members.
- **Cooperative legislation:** Act of government which controls cooperatives
- **Control committee:** Means a body elected and empowered by the general assembly with the responsibility to follow up whether the management is carrying out its responsibility properly
- **Management committee:** Means a body elected and empowered by the general assembly with the responsibility to manage the activities of the society.

- **Assessment:** "The process of documenting, usually in a measurable terms, knowledge, skills, attitudes, and beliefs." Wikipedia the free encyclopedia.

1.9 Organization of the Study

The thesis is organized in five chapters.

The first chapter: introduction deals with background and justification of the study, statement of the problem, and objectives of the study, significance of the study, scope of the study, limitation of the study, organization of the study and definition of terms. The second chapter covers literature review and empirical studies. The third chapter includes area of the study, methodology & data collection, sampling technique, techniques of analysis and interpretation. The fourth chapter deals with discussion and analysis is concerned with the analysis of the data collected and assessment of internal control systems using different parameters. And lastly the fifth chapter covers the summary of the main findings of the study & the possible suggestions or recommendations

Chapter II: Review of Literature

2.1 Introduction

The purpose of this chapter is to give conceptual definitions of terminologies and basic theories used in the research. Relevant concepts and definitions are included which clarify the conceptual model used in the research.

2.2 “Co-operatives”: Definition and Concepts

In the world, Co-operatives have been conceived as a device to bring together similar minded people of limited means, on a common platform to solve their financial needs. The "cooperatives" is a concept wherein persons of humble origin voluntarily associate together on the basis of equality for the solution of their economic problems. The basic principle of cooperative movement is thrift and self-help through cooperation between the members keeping in view the needs of individual members as well as the solution of problems in a collective way. Co-operatives aim at bringing about more equitable institution of distribution and optimum utilization of the resources of human as well as financial resources.

The 1995 Statement of Identity of ICA defines a cooperative as "an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise." The statement emphasizes important characteristics of cooperative enterprise. These include:

2.3 Cooperative Values: Basic cooperative values are general norms that cooperators, cooperative leaders and cooperative staff should share, and which should determine their way of thinking and acting. The values include:

Self-help: people have the will and the capability to improve their destiny peacefully through joint action which can be more powerful than individual effort, particularly through collective action in the market.

Democracy: Members have the right to participate, to be informed, to be heard and to be involved in making decisions. Members are the source of all authority in the cooperative. "The basic unit of the cooperative is the member.

Equality: Equal rights and opportunities for people to participate democratically will improve the use of society's resources and foster mutuality, understanding and solidarity.

Equity: Fair distribution of income and power in society and in its economic life should be based on labor, not ownership of capital.

Solidarity: Cooperatives are based on the assumption that there is strength in mutual self -help and that the cooperative has a collective responsibility for the well-being of its members. Further, individual cooperatives strive to create a united cooperative movement, by working with other cooperatives to improve collective well-being.

The values statement also articulates values of personal and ethical behaviors that cooperators actualize in their enterprises. They describe the kind of people we strive to be and traits we hope to encourage through cooperation. These are: honesty, openness, social responsibility, and caring for others.

2.4 The cooperative principles (1995) adopted by ICA

The cooperative principles are guidelines by which cooperatives put their values in to practice.

Principle 1: Voluntary and Open Membership

Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination

Principle 2: Democratic Member Control

Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organized in a democratic manner

Principle 3: Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their co-cooperative. At least part of that capital is usually the common property of the co-operative.

Principle 4: Autonomy and Independence

Co-operatives are autonomous, self-help organizations controlled by their members. If they enter to agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy

Principle 5: Education, Training and Information

Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation

Principle 6: Co-operation among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

Principle 7: Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members

2.5 Operational Definitions of Concepts

2.5.1 Internal Control

.It is the whole systems of controls systematically interwoven in the overall business activities of any organization that is, accounting, financial, administrative, supervisory and managerial established by the management of a given organization in order:

1. to carry on its business activities in an orderly and efficient manner
2. to ensure adherence to management policies
3. to promote operational efficiency
4. to safeguard its assets
5. to ensure, as far as possible, the completeness and accuracy of all its records.

These components work to establish the foundation for sound internal control within the entity through directed leadership, shared values and a culture that emphasizes accountability for control.

2.5.2. COSO and the COSO Framework

COSO was formed in 1985 to sponsor studies on the causal factors that can lead to fraudulent financial reporting. In 1992 COSO issued the report internal control *and integrated framework* to help businesses, and other entities, assess and enhance their internal control systems.

According to COSO, that framework has since been incorporated into policy, rule, and regulation, and used by thousands of enterprises to better control their activities in moving toward achievement of their established objectives. "Others also seem to consider COSO and its framework to be of great importance. The Financial Executives International Research Foundation (FERF) says, since its inception, the COSO alliance has been a strong, respected voice in the business community. The alliance was the first to define internal control and develop a useable framework for assessing and developing an internal control structure. "Protiviti", an independent risk consulting firm, presents

the model, for evaluating internal control, in the framework as the model that has been adopted as the generally accepted framework for internal control and says that the model is widely recognized as the definitive standard against which organizations measure the effectiveness of their systems of internal control.

According to the COSO framework, internal controls are put in place to help the company reach profitability goals and achieve its missions, but also to minimize surprises along the way. An internal control system enables management to deal with quickly changing economic and market changes such as shifting customer demands and priorities, and restructuring.

The COSO report deals with the needs and expectations of managers and others, and describes internal control in order to establish a common definition that serves the needs of different parties, and to provide a standard against which organizations can assess their control systems and determine how they can be improved.

This report reflects a process of many years of growing awareness of the importance of internal control.

According to the COSO report everyone in the organization is responsible for the internal control, yet in different ways. *The management committee* is responsible for establishment of internal control policies and procedures. The manager is accountable to the *Board of Directors*, which is responsible for providing governance, guidance and oversight. *All personnel* should be responsible for reporting problems, such as policy violations or illegal actions, in operations.

2.5.3 Control Environment

The control environment is influenced by a company's history and culture and sets the tone of the organization, influencing the control consciousness of its personnel. It is the foundation for all other components of internal control, providing discipline and structure. The control environment has a pervasive influence on the way business activities are structured, objectives established, and risks assessed. It also influences control activities, information and communication systems, and monitoring activities. Effectively controlled companies strive to have competent people, instill a company-wide attitude of integrity and control consciousness, and set a positive "tone at the top". They establish policies and procedures, including a written code of conduct, which fosters shared values and teamwork in pursuit of the company's objectives. The control environment is evaluated based on the following factors:

- Integrity and ethical values
- Commitment to competence
- Board and Audit Committee
- Management philosophy and operating style
- Organizational structure
- Assignment of authority and responsibility
- Human resource policies and practices

2.5.3.1 Integrity and Ethical Values

A company's objectives and the way they are achieved are based on preferences, value judgments, and management styles. Those preferences and value judgments that translate into standards of behavior reflect management's integrity and its commitment to ethical values. A company's good

reputation is so valuable; the standard of behavior must go beyond mere compliance with the law. In awarding reputation to the best companies, society expects more than that. The effectiveness of a system of internal control cannot rise above the integrity and ethical values of the personnel who create, administer, and monitor it. Integrity and ethical values are essential elements of the control environment, affecting the design, administration, and monitoring of other internal control components.

2.5.3.2 Commitment to Competence

Management should specify the competence levels for particular jobs and translate those levels into requisite knowledge and skills. The necessary knowledge and skills may in turn depend on an individual's training and experience. Among the many factors considered in developing knowledge and skill levels are the nature and degree of judgment to be applied to a specific job. There often can be a trade-off between the extent of supervision and the requisite competence level of the individual.

2.5.3.3 Board and Audit Committee

The control environment and "tone at the top" are influenced significantly by the entity's board of directors and audit committee. Factors include the board or audit committee's independence from management, experience and stature of its members, extent of its involvement and scrutiny of activities, and the appropriateness of its actions. Another factor is the degree to which difficult questions are raised and pursued with management regarding plans or performance. Interaction of the board or audit committee with internal and external auditors is another factor affecting the control environment.

2.5.3.4 Management's Philosophy and Operating Style

Management's philosophy and operating style affect the way the cooperative is managed is managed, including the kinds of business risk accepted. A cooperative that has been successful in taking significant risks may have a different outlook on internal control than one that has faced harsh economic or regulatory consequences as a result of venturing into dangerous territory. An informally managed company may control operations largely by face-to-face contact with key managers. A more formally managed one may rely more on written policies, performance indicators, and exception reports

2.5.3.5 Organizational Structure

A cooperative's organizational structure provides the framework within which its activities for achieving cooperative-wide objectives are planned, executed, controlled, and monitored. Significant aspects of establishing a relevant organizational structure include defining key areas of authority and responsibility and establishing appropriate lines of reporting.

2.5.3.6 Assignment of Authority and Responsibilities

This component includes the assignment of authority and responsibility for operating activities as well as establishing reporting relationships and authorization protocols. It involves the degree to which individuals and teams are encouraged to use initiative in addressing issues and resolving problems as well as limits of their authority. It also deals with the policies describing appropriate business practices, knowledge and experience of key personnel, and resources provided for carrying out duties.

A critical challenge is to delegate only to the extent required to achieve objectives. This requires ensuring that risk acceptance is based on sound practices for identification and minimization of risk,

including sizing risks and weighing potential losses versus gains in arriving at good business decisions.

Another aspect is ensuring that all personnel understand the Company's objectives. It is essential that each individual knows his or her actions interrelate and contribute to achievement of objectives. The control environment is greatly influenced by the extent to which individuals recognize that they will be held accountable, including the Chairman and CEO. He or she has ultimate responsibility for all activities within the Company, including the internal control system

2.5.3.7 Human Resource Policies and Practices

Human resource practices send messages to employees regarding expected levels of integrity, ethical behavior, and competence. Such practices relate to hiring, orientation, training, evaluating, counseling, promoting, compensating, and remedial actions.

2.6 Risk Assessment

All organizations regardless of size, structure, nature, or industry, encounter risks at all levels within their organization. Risks affect each company's ability to survive, successfully compete within its industry, maintain financial strength and positive public image, and maintain the overall quality of its products, services, and people. There is no practical way to reduce risk to zero. Indeed, the decision to be in business creates risk. Management must determine how much risk is to be prudently accepted, and strive to maintain risk within these levels. Objective setting is a precondition to risk assessment. There must first be objectives before management can identify risks to their achievement and take necessary actions to manage the risks. Objective setting, then, is a key part of the management process. While not an internal control component, it is a prerequisite to and

an enabler of internal control. The risk assessment component of control is evaluated based upon the following factors:

- Cooperative- wide objectives
- Process-level objectives
- Risk identification
- Managing change

2.6.1 Cooperative-Wide Objectives

Objective setting can be a highly structured or an informal process. Objectives may be explicitly stated, or be implicit, such as to continue a past level of performance. At the company level, objectives are often represented by the company's mission and value statements. Assessments of the company's strengths and weaknesses, and opportunities and threats, will lead to an overall strategy.

Generally, the strategic plan is broadly stated, dealing with high level resource allocations and priorities. More specific objectives flow from the company's broad strategy. Company-wide objectives are linked and integrated with more specific objectives established for various activities. By setting objectives at both the company and activity level, a company can identify critical success factors.

These are the key things that must go right if goals are to be attained. Objective setting enables management to identify measurement criteria for performance, with focus on critical success factors.

2.7 Control Activities

Control activities are policies and procedures used to ensure management directives are met. Control activities vary depending upon the nature of the risk mitigated and are carried out to ensure that the risks are minimized to an acceptable level. Control activities can be divided into three

categories, based on the nature of the cooperative objectives to which they relate, i.e., operations, financial reporting, or compliance. Depending on circumstances, controls could help to satisfy company objectives in one or more of the three categories. The control activities component of control is evaluated based upon the following factors:

- policies and procedures
- control activities in place

2.7.1 Policies and Procedures

Control activities usually involve two elements: a policy establishing what should be done and procedures to affect the policy. Many times, policies are communicated orally. Unwritten policies can be effective where the policy is a long-standing and well-understood practice, and where communication channels involve only limited management layers and close interaction and supervision of personnel. Regardless of whether a policy is written, it must be implemented conscientiously and consistently. A procedure will not be useful if performed mechanically without a continuing focus on conditions to which the policy is directed

2.8 Information and communication

Pertinent information must be identified, captured, and communicated in a form and time-frame that enables people to carry out their responsibilities. Information gathering mechanisms produce reports containing operational, financial reporting, and compliance related information that makes it possible to run and control the business. They deal not only with internally generated data, but also with information about external events, activities, and conditions necessary for informed business decision-making and external reporting. Effective communication also must occur in a broader sense, flowing down, across, and up the organization. All personnel must receive a clear message from top management that control responsibilities must be taken seriously. They must understand

their own role in the internal control system, as well as how individual activities are related to the work of others.

They must have a means of communicating significant information upstream. There also needs to be effective communication with external parties such as customers, suppliers, regulators, and members. The information and communication component of control is evaluated based upon the following factors:

- Quality of information
- Effectiveness of communication

2.9 Monitoring

Internal control systems need to be monitored—a process that assesses the quality of the system's performance over time.

This is accomplished through on-going monitoring activities, separate evaluations of a combination of the two. On-going monitoring occurs in the course of operations. It includes regular management and supervisory activities, and other actions personnel take in performing their duties. The scope and frequency of separate evaluations (audits) will depend primarily on assessment of risks and the effectiveness of on-going monitoring procedures. Internal control deficiencies should be reported upstream, with serious matters reported to senior management and the board. The monitoring component of control is evaluated based upon the following factors:

- On-Going Monitoring
- Separate Evaluations
- Reporting Control and Process Deficiencies

2.9.1 On-Going Monitoring

On-going monitoring procedures are built into the company's normal recurring operating activities. They are performed on a real-time basis reacting dynamically to changing conditions. Monitoring procedures which are an inherent part of the cooperative are more effective than procedures performed in connection with separate evaluations (audits). Since separate evaluations take place after the fact, problems will often be identified more quickly by the on-going monitoring routines. A cooperative should focus on ways to enhance its on-going monitoring activities and, thereby, emphasize "building in" versus "adding on" controls.

2.9.2 Separate Evaluations

The frequency of separate evaluations necessary for management to have reasonable assurance about the effectiveness of the internal control system is a matter of management's judgment. In making that determination, consideration should be given to the following: the nature and degree of changes occurring and their associated risk; the competence and experience of the people implementing the controls; and the results of on-going monitoring.

2.9.3 Reporting Control and Process Deficiencies

Deficiencies in a company's internal control system surface from many sources, including the company's on-going monitoring procedures, separate evaluations of the internal control system, and external parties. The term "deficiency" is defined broadly as a condition within an internal control system worthy of paying attention. A deficiency, therefore, may represent a perceived, potential, or real shortcoming, or an opportunity to strengthen the control system to provide a greater likelihood that the company's objectives will be achieved

2.10 Parties Responsible for and Affected By Internal Control

While all of an organization's people are an integral part of internal control, certain parties merit special mention. These include management, the board of directors (including the audit committee), internal auditors, and external auditors.

The primary responsibility for the development and maintenance of internal control rests with an organization's management. With increased significance placed on the control environment, the focus of internal control has changed from policies and procedures to an overriding philosophy and operating style within the organization. Emphasis on these intangible aspects highlights the importance of top management's involvement in the internal control system. If internal control is not a priority for management, then it will not be one for people within the organization either.

As an indication of management's responsibility, top management at a publicly owned organization will include in the organization's annual financial report to the shareholders a statement indicating that management has established a system of internal control that management believes is effective. The statement may also provide specific details about the organization's internal control system.

Internal control must be evaluated in order to provide management with some assurance regarding its effectiveness. Internal control evaluation involves everything management does to control the organization in the effort to achieve its objectives. Internal control would be judged as effective if its components are present and function effectively for operations, financial reporting, and compliance. The board of directors and its audit committee has responsibility for making sure the internal control system within the organization is adequate. This responsibility includes determining the extent to which internal controls are evaluated. Two parties involved in the evaluation of internal control are the organization's internal auditors and their external auditors.

Internal auditors' responsibilities typically include ensuring the adequacy of the system of internal control, the reliability of data, and the efficient use of the organization's resources. Internal auditors identify control problems and develop solutions for improving and strengthening internal controls. Internal auditors are concerned with the entire range of an organization's internal controls, including operational, financial, and compliance controls.

Internal control will also be evaluated by the external auditors. External auditors assess the effectiveness of internal control within an organization to plan the financial statement audit. In contrast to internal auditors, external auditors focus primarily on controls that affect financial reporting. External auditors have a responsibility to report internal control weaknesses (as well as reportable conditions about internal control) to the audit committee of the board of directors.

2.11 Categories of Internal Control

Internal control is classified into two categories namely;

- a) Accounting (financial) control -comprises the plan of organization and all methods and procedures that are concerned mainly with and directly related to the safeguarding of assets and the reliability financial records; (Custody and Accounting)
- b) Administrative controls - deal mainly with operational efficiency and adherence to managerial policies and usually relate only indirectly to the financial records (Authority)

2.11.1 Forms of Internal Control System

a) Organizational Controls

An organizational plan which clearly defines the duties and responsibilities of individuals; Example,

- organizational charts
- job descriptions
- standards of performance and
- Procedure manuals etc.,

b) Personnel Procedures

Pursuing proper recruitment, training, promotion and retirement also transfer and dismissal policies so as to ensure the competence and integrity of the staff.

c) Segregation of Duties

Dividing responsibilities amongst employees in such a way that no single person is allowed to carry through a transaction from initiation to completion without the intervention of one or more other employees (counter checking).

d) Authorization and Approval Procedure

Ensuring that all transactions are properly authorized before initiation and duly certified before finalization; example, no expenditure commitment without the signature of an authorized official, no payment without a duly certified payment voucher, etc.,

Every transaction should be authorized by a person who:

- i) has no personal interest in the transaction
- ii) possesses sufficient knowledge of the transaction, and
- iii) is at an appropriate level of authority in the organization.

e) Arithmetical and Accounting

Controls within the accounting system to ensure the accuracy, completeness and validity of transactions; example, checking the arithmetical accuracy of documents, their numbering sequence, the source and genuines of transactions, and the methods of recording in the account, etc...

f) Random Checks- According to the financial regulations, cash on hand should be regularly checked and reconcile with the cash book balance so as to detect shortages or overages, if any, in time, by means occasional surprise counts, moreover, a bank reconciliation should be prepared at the end of each month.

g) Physical Controls

Exercising custodial control of assets by restricting accessibility; example, security guards, alarm systems, iron safes and restricted areas, etc...

h) Safety Means: in most organizations cash is always kept in iron safes and there are also security guards whose main responsibility is to guard against theft of assets. In some organizations daily cash collectors have no iron safes and use table drawers for keeping cash.

i) Visual Controls

In order to facilitate adequate visual supervision by responsible officials; the use of 'open office' plans, graphs, charts, etc... must be taken advantage of. As visual control is not nowadays very common in Ethiopia, its use where it seems necessary is strongly encouraged and recommended

j) Supervisory Controls

Supervisory controls are exercised by responsible officials so as to ensure that every day routine activities are performed adequately and properly.

Types of supervisory Controls

- Ensuring that collections made are deposited to the bank intact daily as soon as possible after collection.
- Checking that goods purchased are properly accounted for, that is received recorded.
- Checking the proper issuance and consumption of goods, that is issued and recorded.
- Checking the accuracy of recording of revenues and expenditures in the cash book.
- Checking that cash collected daily is accounted for and cash in safe(s) and at bank(s) are reconciled with cash book and that bank reconciliations are prepared.

k) Budgetary Controls

Most organizations are administered by budget appropriations and budgeting control is mainly effected by the management of the organization. However, practical experience has shown that some organizations fail to control their budgets adequately.

l) Cost Benefit Analysis

Theoretically speaking, an organization can utilize the internal controls discussed above but in practice, many organizations cannot afford the necessary work force and the related cost necessary for such controls. For example, segregation of duties and fire-

proof safes etc. require more financial resources than many organizations can provide for or afford.

Therefore, before installing each control, a cost benefit analysis should be performed. If the cost exceeds the value of the estimated or expected benefit, the control should not and could not be installed; example, an organization employing only three people should not hire a fourth, merely to create a segregation of duties, especially if the additional salary of the fourth person would exceed the marginal expenditure limit or if any loss might be incurred.

2.12 Agricultural Multi-purpose Cooperative Societies

Multi-purpose cooperatives unlike single purpose cooperatives undertake diversified activities.

Multi-purpose cooperatives which function on the basis of a fully integrated framework of activities, planned according to member's requirements identified at grass root level, taking the socio-economic life of the farmer members in its totality.

These cooperatives supply to their members and patrons agricultural inputs such as fertilizers, selected seeds, and consumable goods on credit and cash basis.

2.13. Empirical Studies

1. According to Ann Quilopo Barry (2003) A study on internal control environment and control activities of multi-purpose cooperatives in Baguio City most of the multi-purpose cooperatives in Baguio City are offering 2 services representing 68.90% of the respondents. As to size of membership, 16 or 35.50% have more than 200 members, 12 or 26.70% have 51-100 members, 10 or 22.20% have less than 50 members, and 7 or 15.60% have 101-200 members. With regards to the

number of management staff, 29 or 64.60% have up to 5 staff, 3 or 6.70% have 6-10 staff, and 13 or 28.90% have more than 10 staff. The profile of the cooperatives with respect to the number of training of the board and staff showed that majority attended up to 5 trainings from the period 2001 to 2003.

It was revealed that at the time of the study, the provisions of the control environment, organization and authorization policies and management control methods are often implemented. Audit committee function and human resource policies obtained a lower descriptive rating of sometimes implemented. Relatively low levels of implementation are found in the following control factors: (a) active participation in the activities and compliance with the requirements of the federation or union; (b) imposing strict adherence on segregation of duties; (c) strictly adheres to the written code of ethics; (d) provision of monthly financial reports; (e) BOD's adequate and immediate investigation of variances; (f) assistance and coordination with external auditors; (g) verifies proper handling and security of funds; (h) employment of full-time managers; and (i) distribution of procedures manuals as work guidelines.

The test on the significant difference in the level of implementation of control environment when the respondents are grouped according to their profile, showed a significant difference in human resource policies only when they are grouped according to their size of membership. Lowest implementation levels were found with 51-100 membership. It was found out that at the time of the study, there is a high level of effectiveness of the control activities in all areas of collection and revenue cycle as well as in the acquisition and disbursement cycle. Relatively low levels of implementation are found in the following control factors: (a) reconciliation of subsidiary and general ledgers; (b) policy on writing offs; (c) preparation of monthly portfolio reports; (d) responsibilities in the preparation of monthly bank reconciliation; (e) cashier not having access to

books of accounts; (f) pre-numbering of purchase-related form; (g) necessary stamping of documents after release of checks; and (h) proper control of unused documents.

The test on the significant difference in the level of effectiveness of control activities when the respondents are grouped according to their profile, showed a significant difference in cash receipts and cash disbursements only when they are grouped according to their size of membership. Lowest effectiveness levels were found with <51 membership.

On the relationship between the level of implementation on the control environment and the level of effectiveness of the control Activities, it was noted that the area on organization and Authorization Policies is moderately correlated with the level of effectiveness of Cash Receipts and Acquisition of Goods and Services and Cash Disbursements. Moderately correlated was also the area of Management Control Methods with the Cash Receipts and Cash Disbursements. For the areas on Audit Committee Functions, it was noted to be moderately correlated with Services Other Than Credit and Cash Receipts. Lastly, the area of Human Resource Policies is moderately correlated with the level of effectiveness of Cash Receipts and Acquisition of Goods and Services. In the rest of the areas of Control Environment, there is only a slight correlation

2.14 Limitations of the review of literature

There are many studies related to Internal Control Systems in Company's but, the researcher was unable to get empirical studies of internal control systems in cooperatives.

CHAPTER III: MATERIALS AND METHODS

3.1 Introduction

This chapter deals with the selected area for the research, the source of data utilized, techniques of sampling and the methods utilized for the analysis of data.

3.2 Site Selection and Descriptions

The study area is located in Tigray Region South-Eastern Zone of Enderta Woreda. Enderta is one of the 36 rural woredas in the Regional State of Tigray.

Located in the south eastern zone at the eastern edge of the Ethiopian High lands, Enderta is bordered on the south by Hintalo Wajirat, on the west by Samre, on the northwest and north by the Eastern Zone, and on the east by the Afar Region; the city and woreda of Mekele is an enclave within Enderta. Towns in Enderta include Aynalem and Quiha.

Based on figures published by the Central Statistics Agency in 2005, this woreda has an estimated total population of 144,784; of which are 73,887 males and 70,897 females; 21,527 or 14.87% of its population are urban dwellers. Enderta has an estimated population density of 108.10 persons per square kilometer and this is less than the 133.18 average for the Zone.

The Ethiopian Mapping Agency (1981) differentiated five traditional climatic zones in the National areas of Ethiopia. According to this classification, the study area is within a temperate zone.

As per the statistical data, 85% of the population lives in rural areas where multi-purpose cooperatives are to play a grater role in changing the life of the rural poor.

The rationale for the selection of this woreda for the study was because there was no research made regarding assessment of internal control systems.

Table 3. 1 Status of Enderta Woreda Cooperatives as of 1999 E.C.

No	Type of cooperative	Number of primary cooperatives	Numbers of membership			Capital in ETB	
			Male	Female	Total		
1	Multipurpose cooperative	17	13,735	3,516	17,251	2,131,247	18
2	Irrigation cooperative	9	292	128	420	201,430	00
3	Saving and credit cooperative	9	275	16	291	361,351	81
4	Mining cooperative	9	224	6	230	52,500	00
5	Milk cooperatives	4	84	10	94	2,415	00
6	Production of sheep and goat cooperatives	1	-	34	34	60,000	00
7	Feeding of animals cooperative	1	246	115	361	7,200	00
8	Construction cooperatives	3	31	1	32	25,420	00
9	Consumer cooperatives	2	10	13	23	64,000	00
10	Hides and skins cooperatives	1	10	-	10	300	00
11	Multipurpose union	1	9671	2559	12,230	2,255,104	00
	Total		24,578	6,398	30,976	5,160,967	99

Source: Enderta woreda performance Evaluation report 1999E.C.

The government is encouraging and supporting the establishment of cooperatives for the development of the country's economy. As a result, the cooperative movement is expanding, diversifying and growing at a rapid pace. In Tigray there are 556 cooperatives in the 36 woredas.

In the study area, there are 17 multipurpose cooperatives, 9 irrigation cooperatives, 9 credit and saving cooperatives 9 mining cooperatives 4, milk cooperatives, 1 production of sheep and goat

cooperative, 1 animal feed cooperative, 3 construction cooperatives, 2 consumer cooperatives, 1 hide and skin cooperatives, and 1 multipurpose union cooperative.

From the cooperatives operating in the woreda, the concern of the study is the multipurpose cooperatives.

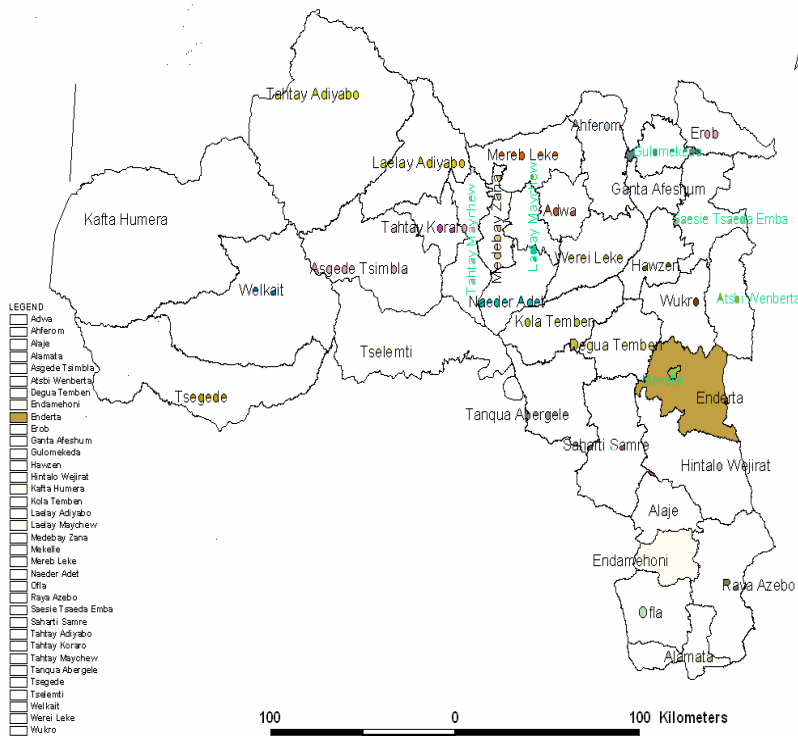
Table 3. 2 Number of Multipurpose cooperatives in the woreda (1999E.C.)

		Number of Members		
		Male	Female	Total
1	Dejen	519(90%)	581(10%)	577
2	Chelokot	439(76%)	79(24%)	578
3	D/Genet	978(79%)	258(21%)	1236
4	Hadnet	437(92%)	20(8%)	477
5	F/Hiwet	1188(59%)	809(41%)	1997
6	Shibta	910(86%)	148(14%)	1058
7	M/weini	881(90%)	100(10%)	981
8	Hawsewa	1188(94%)	81(6%)	1269
9	F/mayat	616(83%)	124(27%)	740
10	Limat	1076(66%)	566(34%)	1642
11	D/Genet	532(83%)	110(17%)	642
12	Didba	956(80%)	235(20%)	1191
13	Debri	902(81%)	209(19%)	1111
14	Romanat	1019(83%)	215(17%)	1234
15	Mesebo	489(78%)	139(22%)	628
16	D/harnet	1247(82%)	276(16%)	1518
17	Aragure	677(92%)	59(8%)	736
		14057(80%)	3498(20%)	17,555

Source: Enderta woreda cooperative promotion office 1999 E.C. performance report

From the above data we can understand that there are 17 multipurpose cooperative societies with the membership of 30,976. However, only 20% constitutes the female membership. This is the universe of the study.

Figure 3. 1 Map of Regional state of Tigray



3.1.1 Instrumentation

The research was a survey study in which all data relevant to the study were gathered and analyzed. Primary and secondary data was used to enable detailed analysis of the study. Interview and focus group discussion were conducted

In order to collect the primary data the researcher used two enumerators. The enumerators were trained by the researcher and supervised at the time of fieldwork.

3.2 Data Types and sources

3.2.1 Primary Data

In order to collect the primary data, the interview schedule was prepared in accordance with the objectives of the study. The tool was translated in to Tigrigna and pre-tested by the researcher.

In addition to this, the researcher has employed focus group discussion and observation. The focus group members (informants) consists 1 senior auditor of the woreda cooperative promotion office, randomly selected 3 cooperative members who were members of the cooperative for more than three years and 1 non-member opinion leader of a prominent cooperative area namely Romanat multipurpose cooperative society .

The focus group discussion was conducted in a semi-structured way by posing open ended questions which was used for the interview schedule administered with respondents.

3.2.2 Secondary Data

Bylaws, documents, files and audit reports of each of the selected multi-purpose cooperatives and woreda cooperative promotion office were used as additional information for comparison. Besides, necessary documents and published and unpublished materials, websites of different universities were referred.

3.3 Techniques of Sampling

The population of the study was the board members, members and paid employees of the multi-purpose cooperatives. There are seventeen multi-purpose cooperatives in the woreda, out of these, six multipurpose cooperative were selected based on simple random sampling for the study namely: Debri, Romanat D/genet, D/Harnet, Myweini and Didba multi-purpose cooperatives. The researcher

planned to collect data from 80 member respondents. The member respondents were selected by adopting proportional random sampling technique. Twenty four out of the thirty board members which is (80%) were selected based on random sampling and the accountant in each multipurpose cooperative was purposefully included in the sample.

Table 3. 3 Sample Respondents of the Study

S/N	Name of MPC	Total members of the MPC	No. of member respondents	No of Board respondents	Paid employee Respondents	Total respondents
1	D/Genet MPC	1236	14	4	1	19
2	Myweini MPC	981	11	4	1	16
3	Dediba MPC	1191	13	4	1	18
4	Debri MPC	1111	12	4	1	17
5	Romanat MPC	1234	14	4	1	19
6	D/Harnet MPC	1518	16	4	1	21
Total		7271	80	24	6	110

Source: Enderta woreda cooperative promotion office 1999E.C.for number of members of the Multipurpose cooperatives

3.4 Institutional Information of the selected MPCS

Debri multipurpose cooperative society was registered on 17 August, 2001, and started its operation on the same date. The initial authorized share capital was birr 17,780.00 made up of 889 shares par of birr 20.00. The number of members in the year 2007 has reached 902 male and 209 female and the capital also increased to birr 256,432.

Romanat multipurpose cooperative society was registered 19 June, 2003 with an initial capital of birr 23,480.00 made up of shares of birr 20 par. The members in the year 1999E.C. have reached 1234 and their capital also increased to birr 23,700.00.

Didba multipurpose cooperative society was re-registered 20 September, 2004 with an initial capital of birr 16,780 made up of 839 shares of par birr 20. In 2007 the number of members increased to 1191 and its share capital has increased to birr 23,360.00.

Debre-Harnet multipurpose cooperative society was registered and obtained legal personality on 10 July, 2003. The initial capital was birr 36,270.00 consisting of 1209 shares of birr 30 par. The number of members has increased to 1518 in 2007 with proportionate increase in capital to birr 42,930.00 in the same year.

From mytsedo kebele, Debregenet multipurpose Cooperative was re-registered and obtained legal personality on February 18, 2004 as per proclamation No. 147/91. The multipurpose cooperative was founded by 481 male and 128 female members. The starting capital of the cooperative was birr 16,500.00 with a par value of birr 20. The number of members of the multipurpose cooperative in the year 2007 was 542 male and 110 female.

Myweini multipurpose cooperative was re-registered and obtained its legal personality on August 13, 2004 as per proclamation No. 147/1991. The founders of the multipurpose cooperative were 591 male and 62 female members. The initial capital of the cooperative was birr 33,980.00 with par value birr 20. The number of members of the multipurpose cooperative in the year 2007 was 881 male and 100 female.

S/N	Name of MPCS	Financial indicators	2004	2005	2006
1	Romanat	Sales	174,572	134,234	383,016
		Net income	56,302	13931	(103,306)
		capital	256,934	299,496	299,736
		Total assets	631,066	541,666	767912
		Total liabilities	374132	546,170	571,482
		Operating income	68783	(70,222)	(271102)
		Fixed Assets	79443	266,043	251,655
2	Debri				
		Sales	280,007	377,735	710378
		Net income	41,444	65924	9484
		Capital	230,594	297,984	256432
		Total assets	266,440	43073	365173
		Total liabilities	35,845	132569	108740
		Operating income	32,743	150000	(16989)
		Fixed Assets	110,578	96440	169448
3	Dediba				
		Sales	145,161	376828	706554
		Net income	(29123)	12998	56153
		Capital	20,750	67253	88882
		Total assets	127087	485919	510202
		Total liabilities	119633	418666	421320
		Operating income	(44496)	24231	(10611)
		Fixed Assets	14,570	12231	18810
4	D/Harnet				
		Sales	194,215	339556	546290
		Net income	18,941	42184	95851
		Capital	128,394	156799	236941
		Total assets	220,123	541426	420082
		Total liabilities	91,751	384627	183141
		Operating income	1,392	48018	48018
		Fixed Assets	5,407	21848	81677
5	D/Genet				
		Sales	98567	121654	123876
		Net income	13453	21769	(16453)
		Capital	16500	26453	34287
		Total assets	112000	134675	136981
		Total liabilities	113768	132561	135783
		Operating income	(11343)	7654	8765
		Fixed Assets	9765	14321	23549
	M/weini				
		Sales	176543	211675	267980
		Net income	(34786)	65768	81345
		Capital	33980	54345	112768
		Total assets	157456	164890	167547
		Total liabilities	154789	145678	139786
		Operating income	(54765)	4567	33214
		Fixed Assets	123451	112354	167568

Table 3. 4
Financial
indicators of
the selected
MPCS

3.5 Methods of Data Analysis and Interpretation

The respondents were given different factors that relate to their perception on each question in the interview schedule. In this regard, a 5-point scale was used and respondents were asked to rate their agreements as Strongly Agree (SA), Agree (A), Neutral (N), Disagree (DA) and Strongly Disagree (SD). For controlling that how respondents interpret the concept, such clarifications were given to the respondents at the time of the interview.

The data collected using the interview schedule was analyzed by using descriptive statistics in the form of tables percentages and charts. In addition, a qualitative method of analysis was used for the data collected from the focus group discussion.

Chapter IV: Data Presentation and Analysis

4.1 Introduction

As presented in chapter one, the research focuses on assessing the internal control systems in multipurpose cooperatives in Enderta Woreda. This chapter provides analysis and interpretation of the data gathered through interview schedule and focus group discussion. . The interview was structured in a way that can help to gather the required empirical data for the assessment of the internal control system in the Enderta woreda multipurpose cooperatives. Secondary data was also collected in order to enhance and supplement the information gained from the scheduled interview.

The interview was conducted among 80 members, 24 board members and 6 paid employees of the selected six multipurpose cooperative societies.

Table 4. 1 Membership status of respondents

Current position or title in the multipurpose cooperative	Count	Percent
Member	80	72.7
Board member	24	21.8
Paid Employee	6	5.5
Total	110	100.0

Source: Survey results

4.2 Demography of Respondents

The majority of the respondents are males 84(76.4%) and females are only 26(23.6).

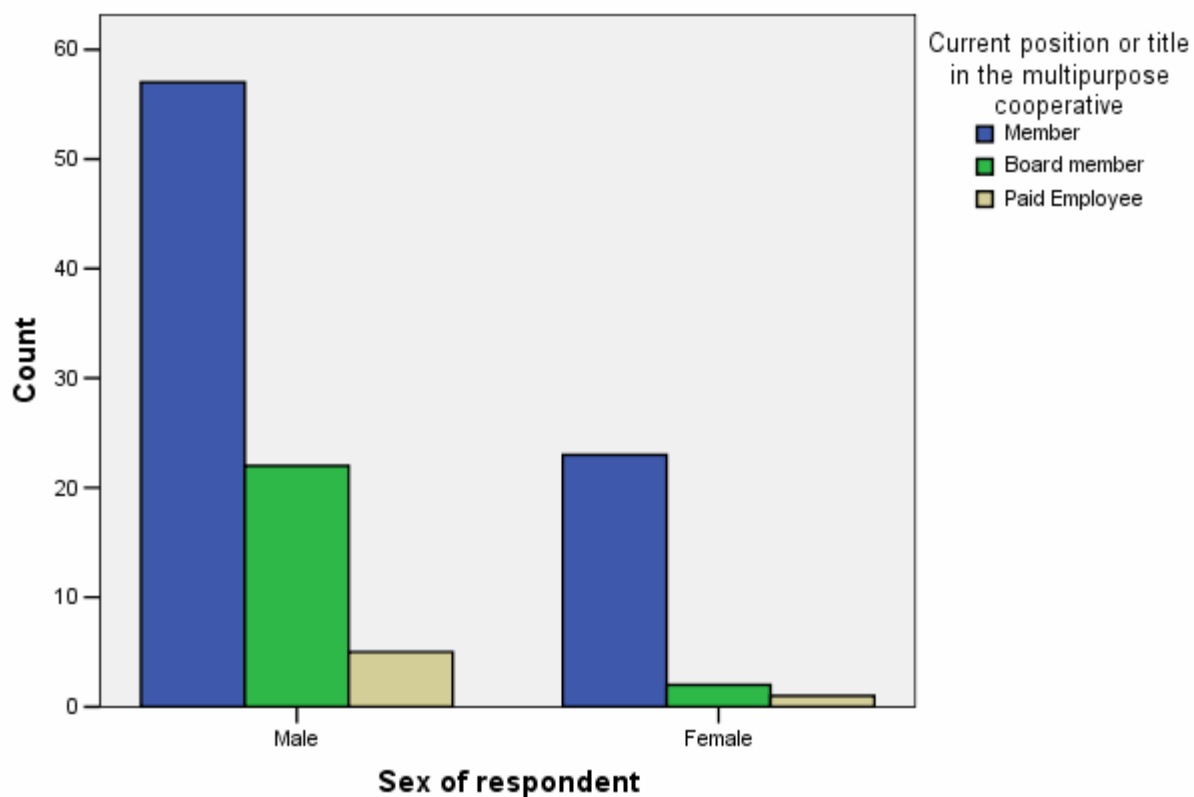
This shows that majority of the members of the multipurpose cooperative are males.

Table 4. 2 Sex wise membership status of respondents

Sex respondents	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Male	57	71.3	22	91.7	5	83.3	84	76.4
Female	23	28.8	2	8.3	1	16.7	26	23.6
Total	80	100.0	24	100.0	6	100.0	110	100.0

Source: Survey results

Figure 4. 1 Sex- wise Classification of respondents



Furthermore, 52(47.3%) of the respondents were having educational level of grades1-4 (primary level of education), 45(40.9%) were illiterate, and 13(11.8%) having educational level of 5-10.

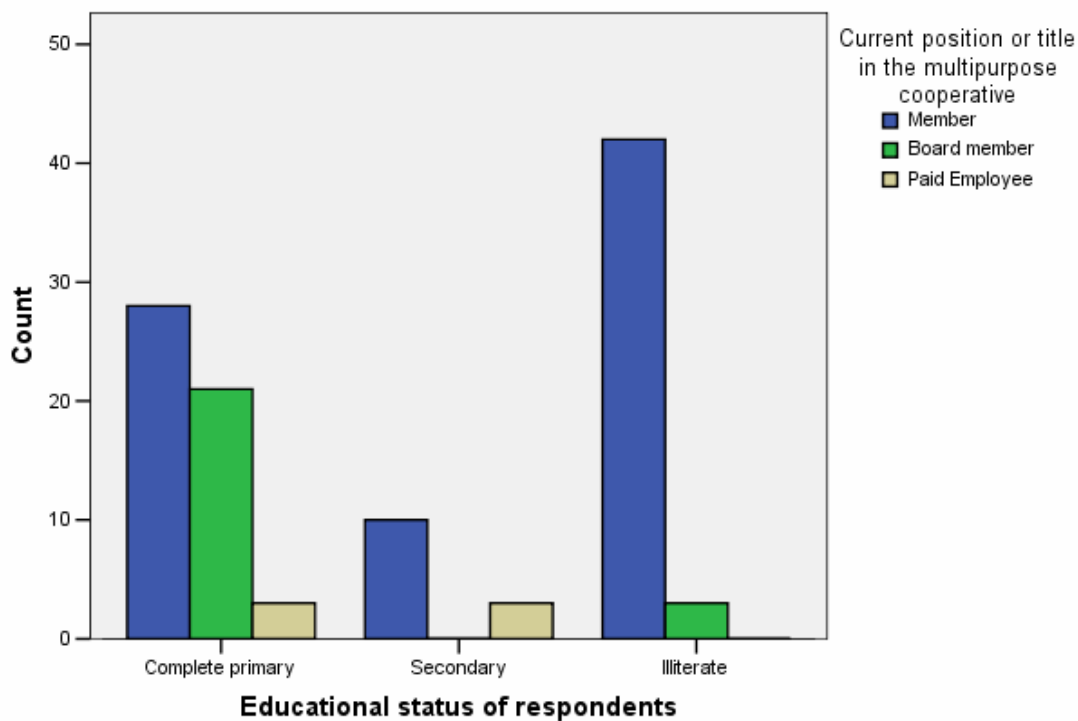
Table 4. 3 Educational status of respondents

Educational status of respondents	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Complete primary	28	35.0	21	87.5	3	50.0	52	47.3
Secondary	10	12.5			3	50.0	13	11.8
Illiterate	42	52.5	3	12.5			45	40.9
Total	80	100.0	24	100.0	6	100.0	110	100.0

Source: Survey results

Note: Primary level is grade 1-4, and secondary level is 5-10(Ministry of Education)

Figure 4. 2 Educational status of respondents



From the above analysis we can understand that the educational level of the board members was at primary level of education 21(87.5%) which will affect the application of proper internal control system in the multipurpose cooperatives.

The main source of income of the respondents was from agriculture 97(88.2%) and the remaining 13(11.9%) from petty trade. The study reveals that the major source of livelihood of members of the multipurpose cooperative was agriculture.

Table 4. 4: Income source of respondents

Income source of respondents	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Agriculture	69	86.3	23	95.8	5	83.3	97	88.2
Trade	3	3.8	1	4.2			4	3.6
Other	8	10.0			1	16.7	9	8.2
Total	80	100.0	24	100.0	6	100.0	110	100.0

Source: Survey results

18.8% of the member respondents were between 36-40 years, 17.5% were between 46-50 years and 13.8% were between 51-55 years. Member respondents who were above 60 years of age were 5% and below 20 years of age were 3.8%. The majority of the board member respondents were between 56-60 years of age (37.5%). From the study we can understand that the majority of the members of multipurpose cooperatives were between the ages of 31-60 years.

Table 4. 5 Age wise classification of respondents

Age of respondents	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Below 20 years	3	3.8			1	16.7	4	3.6
Between 20-25 years	5	6.3			1	16.7	6	5.5
Between 26-30 years	3	3.8					3	2.7
Between 31-35 years	10	12.5	2	8.3			12	10.9
Between 36-40 years	15	18.8	4	16.7	1	16.7	20	18.2
Between 41-45 years	6	7.5	3	12.5	1	16.7	10	9.1
Between 46-50 years	14	17.5	3	12.5			17	15.5
Between 51-55 years	11	13.8	3	12.5			14	12.7
Between 55-60 years	9	11.3	9	37.5	2	33.3	20	18.2
Above 60	4	5.0					4	3.6
Total	80	100.0	24	100.0	6	100.0	110	100.0

Source: Survey results

4.3 Control Environment

4.3.1 Mission of Governance

Table 4.6 shows the opinion of respondents on the mission of their cooperatives .

As per the table 4.6 the majority of the respondents have shown their strong disagreement 49(44.5%) on the transparency of the mission of governance of the multipurpose cooperatives, 30(27.3%) disagreed 25(22.7%) agreed and 6(5.5%) undecided

44.5% of the respondents strongly disagree with the dissemination and transparency statement in the multipurpose cooperative society. Only 25 respondents agreed to the dissemination and transparency of mission statement in the multipurpose cooperatives.

Table 4. 6 Respondents perception on the mission of their cooperatives

Cooperative has a clearly articulated mission	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Strongly disagreed	29	36.3	16	66.7	4	66.7	49	44.5
Disagree	26	32.5	4	16.7			30	27.3
Not decided	5	6.3	1	4.2			6	5.5
Agree	20	25	3	12.5	2	33.3	25	22.7
Total	80	100.0	24	100.0	6	100.0	110	100.0

Source: Survey results

The majority of the respondents also showed their disagreement 92(83.7%) on the business goals of their cooperative to benefit them.

The result of analysis indicated that members do not have clear understanding about the objectives of their multipurpose cooperatives.

Table 4. 7 Respondents perception on the business goals of their cooperatives

Cooperative has set business goals to benefit its members	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Strongly disagreed	18	22.5	9	37.5	1	16.7	28	25.5
Disagree	51	63.8	9	37.5	4	66.7	64	58.2
Not decided	5	6.3	3	12.5	1		8	7.3
Agree	6	7.5	3	12.5	6	16.7	10	9.1
Total	80	100.0	24	100.0	6	100.0	110	100.0

Note No respondent did strongly disagree and that column is omitted from the above table

Source: Survey results

A significant number of member respondents agree on the existence of legal and regulatory barriers that hinder the smooth operation of their multipurpose cooperatives 42(38.5%) Whereas substantial number of the board member respondents are neutral (undecided) in relation to this case 10(41.7%)

Table 4. 8 Respondents perception on the legal and regulatory barriers of their cooperatives

Cooperative has legal and regulatory barriers	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Strongly disagree	9	11.4	5	20.8	3	50.0	17	15.6
Disagree	24	30.4	5	20.8			29	26.6
Not decided	10	12.7	10	41.7	1	16.7	21	19.3
Agree	20	25.3	3	12.5	1	16.7	24	22.0
Strongly Agreed	16	20.3	1	4.2	1	16.7	18	16.5
Total	79	100.0	24	100.0	6	100.0	109	100.0

Source: Survey results

4.3.2 Cooperative bylaws

Table 4.9 shows the view of the respondents on the existence of bylaws to run their cooperatives.

As indicated in the table 59(53.6%) strongly agreed, 46(41.8%) agreed, 3(2.7%) disagreed and 2(1.8%) undecided.

Table 4. 9 Respondents on the perception cooperative has its own bylaws

The cooperative mission reflects the member's interest	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Disagree	2	2.5	1	4.2			3	2.7
Not decided	2	2.5					2	1.8
Agree	39	48.8	5	20.8	2	33.3	46	41.8
Strongly Agreed	37	46.3	18	75.0	4	66.7	59	53.6
Total	80	100.0	24	100.0	6	100.0	110	100.0

Note No respondent did strongly disagree and that column is omitted from the above table

Source: Survey results

When the respondents asked to give their opinion whether the cooperative has a clearly articulated mission, 70(63.6%) agreed and 29(26.4%) strongly agreed 6(5.5%) undecided 4(3.6%) disagreed and 1(0.9%) strongly disagreed.

Table 4. 10 Respondents on the perception cooperative mission reflects the member's interests

The cooperative mission reflects the member's interest	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Strongly disagreed					1	16.7	1	.9
Disagree	3	3.8	1	4.2			4	3.6
Not decided	5	6.3	1	4.2			6	5.5
Agree	55	68.8	11	45.8	4	66.7	70	63.6
Strongly Agreed	17	21.3	11	45.8	1	16.7	29	26.4
Total	80	100.0	24	100.0	6	100.0	110	100.0

Source: Survey results

Table 4.11 shows the opinion of respondents whether the bylaws clearly define the duties of cooperative members and the board.

As indicated in the table 4.11 a large proportion of the respondents agreed 87(79.1%) followed by neutral position of the scale 19(17.3%) and 4(3.6%) disagreed.

Table 4. 11 Respondents on the perception bylaws clearly define the duties of cooperative members and the board

Bylaws clearly define the duties of cooperative members and the board	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Disagree	4	5.0					4	3.6
Not decided	10	12.5	6	25.0	3	50.0	19	17.3
Agree	45	56.3	8	33.3	1	16.7	54	49.1
Strongly Agreed	21	26.3	10	41.7	2	33.3	33	30.0
Total	80	100.0	24	100.0	6	100.0	110	100.0

Note No respondent did strongly disagree and that column is omitted from the above table

Source: Survey results

Table 4.12 shows that 52(47.3%) of the respondents strongly agreed that their cooperative bylaws define the requirements for eligibility to membership followed by 47(42.7%) agreed, 3(2.7%) disagreed and 8(7.3%) undecided

This indicates that the members know about the eligibility of membership in their multipurpose cooperatives.

Table 4. 12 Respondents on the perception bylaws define requirements for eligibility of members

Bylaws define requirements for eligibility of members	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Disagree	3	3.8	n.a	n.a	n.a	n.a	3	2.7
Not decided	3	3.8	3	12.5	2	33.3	8	7.3
Agree	41	51.3	5	20.8	1	16.7	47	42.7
Strongly Agreed	33	41.3	16	66.7	3	50.0	52	47.3
Total	80	100.0	24	100.0	6	100.0	110	100.0

Note No respondent did strongly disagree and that column is omitted from the above table

Source: Survey results

4.4 Membership Meetings (Member responsibilities)

Table 4.13 shows the opinion of respondents on general meeting holds democratic elections of BoD's and the opportunity for multiple candidates for open positions.

The survey result reveals that 48(43.6%) disagreed, 41(37.3%) strongly disagreed, 13(11.8%) undecided, 6(5.5%) agreed followed by 2(1.8%) strongly agreed.

From the above analysis we can understand that significant number of the members have lost confidence in relation to democratic election of their cooperative leaders. So, in order to enhance the confidence of members on their leaders, factors which leads to losing of confidence in election should be investigated and members are required to be trained in order to use their democratic right in choosing their cooperative leaders

Table 4. 13 Respondents on the perception general meeting holds democratic election of BoD and opportunity for multiple candidates for open positions

General meeting holds democratic election of BOD, opportunity for multiple candidates for open positions	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Strongly Disagree	34	42.5	3	12.5	4	66.7	41	37.3
Disagree	34	42.5	13	54.2	1	16.7	48	43.6
Not decided	7	8.8	6	25.0	n.a	n.a	13	11.8
Agree	5	6.3	n.a	n.a	1	16.7	6	5.5
Strongly Agreed	n.a	n.a	2	8.3	n.a	n.a	2	1.8
Total	80	100.0	24	100.0	6	100.0	110	100.0

Source: Survey results

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Table 4.14 shows the opinion of respondents on the significant number of members' attendance in the annual general assembly meetings. The result depicts 44(40%) strongly disagreed, 35(31.8%) disagreed and 14(12.7%) undecided, 10(9.1%) agreed followed by 7(6.4%) strongly agreed

This indicates that members of the cooperative have lost interest in participating in the major decisions of their cooperatives and this leads to a condition where by individuals would be free to violate the internal control system of the cooperatives

Table 4. 14 Respondents on the perception annual meetings are attended by significant portion of members

Annual meeting are attended by significant portion of members	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Strongly Disagreed	33	41.3	9	37.5	2	33.3	44	40.0
Disagree	29	36.3	3	12.5	3	50.0	35	31.8
Not decided	6	7.5	8	33.3	n.a	n.a	14	12.7
Agree	8	10.0	1	4.2	1	16.7	10	9.1
Strongly Agreed	4	5.0	3	12.5	n.a	n.a	7	6.4
Total	80	100.0	24	100.0	6	100.0	110	100.0

Source: Survey results

4.5 Board of directors

Table 4.15 indicates the opinion of respondents whether the board limits itself to establishing strategic and financial planning of the multipurpose cooperative.

As shown in the table 55(50.5%) agreed, 15(13.8%) disagreed, 11(10.1%) strongly disagreed, 21(19.3%) strongly agreed followed by 7(6.4%) of undecided.

This indicates that the board is wasting its time on routine activities of the cooperative which can be performed by the lower employees.

If the board is wasting its time on routine activities, strategic decisions that can enhance internal control systems of the cooperative would be considered as secondary duty and leads to violation of internal control system of the cooperative.

Table 4. 15 Respondents on the perception the board limits itself to establishing strategic and financial objectives

Board limits itself to establishing strategic and financial objectives	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Strongly disagreed	6	7.6	4	16.7	1	16.7	11	10.1
Disagree	13	16.5	2	8.3	n.a	n.a	15	13.8
Not decided	5	6.3	2	8.3	n.a	n.a	7	6.4
Agree	38	48.1	13	54.2	4	66.7	55	50.5
Strongly Agreed	17	21.5	3	12.5	1	16.7	21	19.3
Total	79	100.0	24	100.0	6	100.0	109	100.0

Source: Survey results

Table 4.16 indicates the opinion of the respondents whether the board limits itself to reflecting the interests and concerns of the members. The result shows 68(61.8%) strongly disagreed, 33(30%) disagreed, 6(5.5%) agreed, 2(1.8%) strongly agreed, 1(0.9%) of undecided.

This indicates members of the multipurpose cooperatives do have concerns about the decisions of the board. Cooperatives are established to satisfy the interests of their members. If the board do not listen to the heart beat of the majority of the members, it will be the concerns of individuals, which is outside the objective and internal control system of cooperatives

Table 4. 16 Respondents on the perception Board limits it self to reflecting the interests and concerns of cooperative members in the decision making process

board Reflects interests and concerns of members in the decision making	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent	Count	Percent
Strongly Disagree	48	60.0	17	70.8	3	50.0	68	61.8
Disagree	23	28.8	7	27.2	3	50.0	33	30.0
Not decided	1	1.3	n.a	n.a	n.a	n.a	1	.9
Agree	6	7.5	n.a	n.a	n.a	n.a	6	5.5
Strongly Agree	2	2.5	n.a	n.a	n.a	n.a	2	1.8
Total	80	100.0	24	100.0	6	100.0	110	100.0

Source: Survey results

Table 4.17 shows the extent of respondents' opinion as whether the board limits itself to oversee the acquisition and preservation of the assets of cooperative.

As indicated in the table below, a large proportion of the respondents agreed 99(90%), 7(6.4%) undecided, followed by 4(3.6%) of disagreed.

The implication of this analysis is that the existing internal control system in the multipurpose cooperative in safeguarding assets is strong.

Table 4. 17 Respondents on the perception board limits itself to oversee the acquisition and preservation of the assets of the cooperative

Oversee acquisition and preservation cooperative assets_ board	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Disagree	4	5.0	n.a	n.a	n.a	n.a	4	3.6
Not decided	6	7.5	1	4.2	n.a	n.a	7	6.4
Agree	39	48.8	9	37.5	3	50.0	51	46.4
Strongly Agreed	31	38.8	14	58.3	3	50.0	48	43.6
Total	80	100.0	24	100.0	6	100.0	110	100.0

Note No respondent did strongly disagree and that column is omitted from the above table

Source: Survey results

Table 4.18 shows that a significant number of respondents 86(78.2%) agreed and while 14(12.7%) are undecided followed by 10(9.1%) disagreed on the opinion that the board limits itself to preserve the cooperative character of the organization.

The cooperative character is member satisfaction and the business character is generation of reasonable profit to remain competitive in the sector. So, the board is trying to compromise the two basic characteristics of the cooperative for effective internal control system.

Table 4. 18 Respondents on the perception the board limits itself to preserve the cooperative character

Preserve the cooperative character of the organization	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Disagree	8	10.0	2	8.3	n.a	n.a	10	9.1
Not decided	9	11.3	4	16.7	1	16.7	14	12.7
Agree	36	45.0	9	37.5	2	33.3	47	42.7
Strongly Agreed	27	33.8	9	37.5	3	50.0	39	35.5
Total	80	100.0	24	100.0	6	100.0	110	100.0

Note No respondent did strongly disagree and that column is omitted from the above table

Source: Survey results

Table 4.19 indicates the opinion of respondents whether the board limits itself to assess the cooperative performance.

As shown in the table below, 54(49.5%) disagreed, 50(45.9%) strongly disagreed, 2(1.8%) strongly agreed, 2(1.8%) agreed and 1(.09%) of undecided.

The above analysis shows that the Board's of multipurpose cooperatives lacks the ability to appraise the performance of their multipurpose cooperatives to take corrective measures for the future.

Table 4. 19: Respondents of the perception board limits itself to assess the performance of the multi-purpose cooperative

Assess the cooperative performance _ board	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Strongly Disagreed	38	48.1	10	41.7	2	33.3	50	45.9
Disagree	37	46.8	13	54.2	4	66.7	54	49.5
Not decided	n.a	n.a	1	4.2	n.a	n.a	1	.9
Agree	2	2.5	n.a	n.a	n.a	n.a	2	1.8
Strongly Agreed	2	2.5	n.a	n.a	n.a	n.a	2	1.8
Total	79	100.0	24	100.0	6	100.0	109	100.0

Source: Survey results

Table 4.20 shows the extent of respondents' opinion as whether the Board ensures the timely publication of agendas, minutes, financial returns, and audit reports and others.

As indicated in table 59(53.6%) strongly disagreed, 35(31.8%) disagreed, 11(10%) undecided, 3(2.7%) agreed, and 2(1.8%) strongly agreed.

This analysis indicates that almost all members and Board members do have disagreement to the information communication existing in their multipurpose cooperatives hence, it could be concluded that there is communication gap in the internal control system.

Table 4. 20 Respondents of the perception Board ensures the timely publication of agendas, minutes, financial returns, audit reports and others.

Board ensures timely publication of agendas, minutes	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Strongly disagreed	39	48.8	18	75.0	2	33.3	59	53.6
Disagree	26	32.5	5	20.8	4	66.7	35	31.8
Not decided	10	12.5	1	4.2	n.a	n.a	11	10.0
Agree	3	3.8	n.a	n.a	n.a	n.a	3	2.7
Strongly Agreed	2	2.5	n.a	n.a	n.a	n.a	2	1.8
Total	80	100.0	24	100.0	6	100.0	110	100.0

Source: Survey results

Table 4.21 indicates the opinion of respondents on the Board members engagement in business activities placing them in direct competition with any business unit or service offered by their cooperatives.

As shown in the table below, 47(43.5%) are undecided, 22(20.4%) agreed, 21(19.4%) disagreed, 14(13%) strongly agreed, followed by 4(3.7%) of a strongly disagreed.

The analysis indicates that a significant number of respondents do not want to give their positive or negative opinion (undecided) (43.5%) and disagreed (19.4%).

The implication of this analysis is that Board members are participating in similar businesses which are offered by their cooperatives. This indicates the violation of cooperative laws, regulations and objectives.

Table 4. 21: Respondents of the perception Board members engagement in business or activities placing them in direct competition

Board members engage in business activities placing them in direct competition	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Strongly disagree	4	5.1	n.a	n.a	n.a	n.a	4	3.7
Disagree	18	22.8	2	8.7	1	16.7	21	19.4
Not decided	34	43.0	11	47.8	2	33.3	47	43.5
Agree	11	13.9	9	39.1	2	33.3	22	20.4
Strongly Agreed	12	15.2	1	4.3	1	16.7	14	13.0
Total	79	100.0	23	100.0	6	100.0	108	100.0

Source: Survey results

4.6 Board Officers

Table 4.22 indicates the opinion of respondents whether the Board Chair Person ensures the implementation of decisions taken and minutes recorded in a meeting.

As shown in the table, 58(52.7%) agreed, 45(40.9%) strongly agreed, followed by 7(6.4%) of undecided.

The analysis shows that cooperatives record the minutes of Board meetings which show the transparency of information in the cooperatives which is also helpful for efficient internal control systems in the multipurpose cooperatives

Table 4. 22 Respondents on the perception the Chairperson ensures the implementation of decisions taken and minutes recorded in a meeting of the multi-purpose cooperative

The chairman ensures decisions taken and minutes recorded in meeting of the cooperative	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Not decided	7	8.8	n.a	n.a	n.a	n.a	7	6.4
Agree	49	61.3	6	25.0	3	50.0	58	52.7
Strongly Agreed	24	30.0	18	75.0	3	50.0	45	40.9
Total	80	100.0	24	100.0	6	100.0	110	100.0

Note No respondent did strongly disagree and that column is omitted from the above table

Source: Survey results

Table 4.23 indicates the opinion of respondents whether the cooperative's treasurer ensures the maintenance of accurate accounts and keeps up-to-date records of all financial activities and provides written statements.

As shown in the table 4.23, a significant number of respondents strongly disagreed 57(51.8%), 41(37.3%) disagreed, 5(4.5%) undecided and 6(5.5%) agreed and 1(0.9%) strongly agreed.

The above analysis shows that the multipurpose cooperatives do not comply with applicable laws and regulations and there are problems of financial reporting in these cooperatives showing weak internal control.

Table 4. 23 Respondents on the perception Treasurer ensure that cooperative accountants keep up-to-date records of all financial activities and provide written statement

The cooperative Treasurer ensures the maintenance of accurate accounts and keeps up-to-date records of all financial activities and provide written	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Strongly Disagreed	39	48.8	15	62.5	3	50.0	57	51.8
Disagree	31	38.8	8	33.3	2	33.3	41	37.3
Not decided	3	3.8	1	4.2	1	16.7	5	4.5
Agree	6	7.5	n.a	n.a	n.a	n.a	6	5.5
Strongly Agreed	1	1.3	n.a	n.a	n.a	n.a	1	.9
Total	80	100.0	24	100.0	6	100.0	110	100.0

Source: Survey results

Table 4.24 shows the opinion of respondents on whether the Treasurer of the multipurpose cooperative oversees the compliance of financial records to audit procedures and guidelines.

As indicated in the table below a significant number of respondents 96(87.3%) agreed, while 12(10.9%) undecided, and 2(1.8%) disagreed

Table 4. 24 Respondents on the perception Treasurer oversees the compliance of financial records to audit guidelines

Treasure oversees the compliance and financial records to audit procedures and guide lines	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Disagree	1	1.3	1	4.2	n.a	n.a	2	1.8
Not decided	8	10.0	2	8.3	2	33.3	12	10.9
Agree	44	55.0	7	29.2	1	16.7	52	47.3
Strongly Agreed	27	33.8	14	58.3	3	50.0	44	40.0
Total	80	100.0	24	100.0	6	100.0	110	100.0

Note No respondent did strongly disagree and that column is omitted from the above table

Source: Survey results

4.7 Management

4.7.1 General management

Table 4.25 shows the opinion of respondents on the question that manager formulates both short and long-range operational plans in compliance with cooperative goals and objectives.

As indicated in the table 73(66.4%) agreed, followed by 26(23.6%) remaining neutral, 10(9.1%) disagreed and 1(0.9%) strongly disagreed.

It is essential that each individual knows his or her actions interrelated and contributes to the achievement of objectives. So, the cooperative manager is required to lead the cooperative in compliance with the cooperative objectives and goals. The analysis of the opinion of respondents in table 4.25 shows the achievement of these objectives. And this is a strong indication of good internal control system in the multipurpose cooperatives

Table 4. 25 Respondents on the perception manager formulates both short and long range operational plans in the compliance with cooperative goals and objectives

Managers formulate both short and long range operational plans in compliance with cooperative goals and objectives	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Strongly disagree	1	1.3	n.a	n.a	n.a	n.a	1	.9
Disagree	9	11.3	1	4.2	n.a	n.a	10	9.1
Not decided	18	22.5	6	25.0	2	33.3	26	23.6
Agree	23	28.8	6	25.0	1	16.7	30	27.3
Strongly Agreed	29	36.3	11	45.8	3	50.0	43	39.1
Total	80	100.0	24	100.0	6	100.0	110	100.0

Source: Survey results

Table 4.26 indicates the opinion of respondents on whether the manager is clearly accountable to the Board with respect to organizational policies, planning, etc.

As indicated in the table 4.20, 44(41.9%) disagreed, 27(25.7%) strongly disagreed, 27(25.7%) remained indicated, followed by 7 (6.7%) agreed.

Assignment of authority and responsibility includes the assignment of authority and responsibility for operating activities as well as establishing reporting relationships and authorization protocols of the cooperative.

The cooperative organizational structure provides the framework within which its activities for achieving cooperative-wide objectives are planned, executed, controlled and monitored. A significant aspect of establishing of a relevant organizational structure includes defining key areas of authority and responsibility and establishing appropriate lines of reporting.

From the analysis and the researcher's field observation; cooperative managers do not follow the cooperative chain of command. This shows weak internal control system which will lead to autocratic way of leadership.

Table 4. 26 Respondents on the perception the manager is clearly accountable to the Board with respect to policies, planning, etc,

The manager is clearly accountable to the board	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Disagree	18	23.7	8	34.8	1	16.7	27	25.7
Not decided	30	39.5	10	43.5	4	66.7	44	41.9
Agree	23	30.3	3	13.0	1	16.7	27	25.7
Strongly Agreed	5	6.6	2	8.7	n.a	n.a	7	6.7
Total	76	100.0	23	100.0	6	100.0	105	100.0

Note No respondent did strongly disagree and that column is omitted from the above table

Source: Survey results

Figure 4. 3 Accountability of cooperative manager

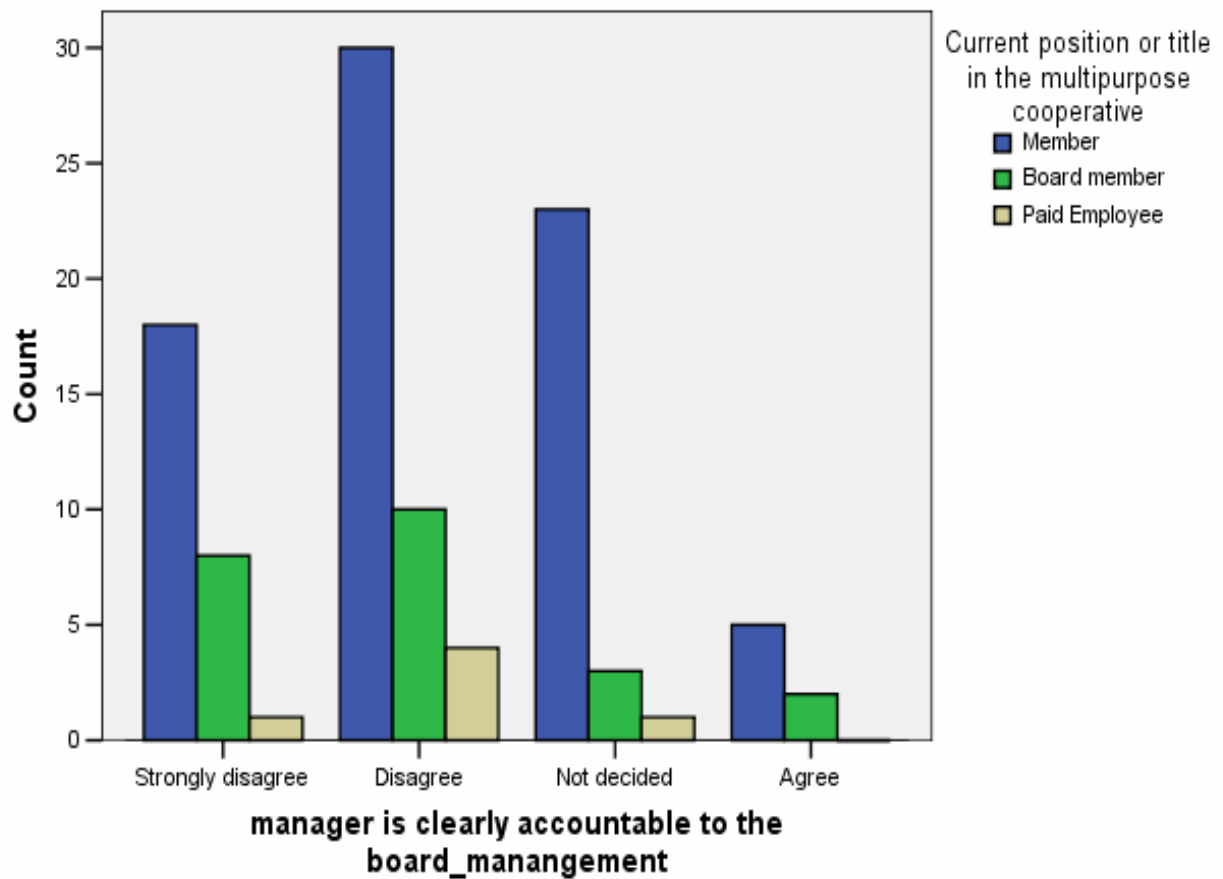


Table 4.27 indicates the opinion of respondents on whether their cooperative faces currently biggest challenge regarding governance.

As shown in the table, 35(33.3%) agreed, 21(20%) disagreed, 19(18.1%) strongly disagreed, 16(15.2%) strongly agreed, followed by 14(13.3%) undecided.

The analysis indicates that cooperatives are facing problems of governance which lead members not to participate in the day to day activities of their cooperatives. If members are not participating voluntarily, this will lead to a weak internal control system.

Table 4. 27 Respondents on the perception cooperative currently faces biggest challenge regarding governance

The cooperative currently faces biggest challenge regarding governance	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Strongly disagree	13	16.5	5	25.0	1	16.7	19	18.1
Disagree	12	15.2	7	35.0	2	33.3	21	20.0
Not decided	12	15.2	1	5.0	1	16.7	14	13.3
Agree	28	35.4	6	30.0	1	16.7	35	33.3
Strongly Agree	14	17.7	1	5.0	1	16.7	16	15.2
Total	79	100.0	20	100.0	6	100.0	105	100.0

Source: Survey results

Table 4.28 shows the opinion of respondents on whether their cooperative is facing a financial challenge.

As indicated in the table below, 44(40.7%) of the respondents strongly agreed, 36(33.3%) agreed, 15(13.9%) undecided, 10(9.3%) disagreed, followed by 3(2.8%) strongly disagreed

From the data analysis the cooperatives are facing financial problems. The management must focus carefully on sources of risks at all levels of the cooperative and take the necessary actions to correct them. Risks should be identified and assessed at both cooperative wide and process wide for strong internal control

Table 4. 28 Respondents on the perception cooperative is currently facing financial challenge

Respondents of the opinion that their cooperative is currently facing financial challenge.	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Strongly disagree	3	3.8	n.a	n.a	n.a	n.a	3	2.8
Disagree	8	10.0	1	4.5	1	16.7	10	9.3
Not decided	11	13.8	3	13.6	1	16.7	15	13.9
Agree	27	33.8	8	36.4	1	16.7	36	33.3
Strongly Agree	31	38.8	10	45.5	3	50.0	44	40.7
Total	80	100.0	22	100.0	6	100.0	108	100.0

Source: Survey results

.Table 4.29 shows the opinion of respondents on whether their cooperative is facing currently challenge regarding its business activities

As indicated in the table below, 30(28.6%) of the respondents agreed, 29(27.6%) disagreed,19 (18.1%) strongly agreed, 17(16.2%) strongly disagreed, followed by10 (9.5%) undecided.

Cooperatives like any other firms encounter risks. Risks affect the cooperative's ability to survive, successfully compete within its sector, and maintain financial strength and positive public image. So, the cooperative management should forecast the possible risks in order to minimize financial risks by taking precautions.

Table 4. 29 Respondents on the perception their cooperative is currently facing with biggest business challenge

Households of the opinion that their cooperatives is currently facing with biggest business challenges	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Strongly disagree	11	13.9	5	25.0	1	16.7	17	16.2
Disagree	20	25.3	5	25.0	4	66.7	29	27.6
Not decided	7	8.9	3	15.0	n.a	n.a	10	9.5
Agree	26	32.9	4	20.0	n.a	n.a	30	28.6
Strongly Agree	15	19.0	3	15.0	1	16.7	19	18.1
Total	79	100.0	20	100.0	6	100.0	105	100.0

Source: Survey results

Table 4.30 shows the opinion of respondents that cooperative currently faces biggest challenge regarding planning.

As indicated in the table 29(27.9%) agreed, 28(26.9%) disagreed, 16(15.4%) undecided 16(15.4%) strongly agreed 15(14.4%) strongly disagreed.

As per the analysis, cooperatives face big challenges regarding business and planning to satisfy their members. This shows weak internal control in strategic planning capacity of cooperatives.

Table 4. 30 Respondents on the perception cooperative is currently facing biggest challenge with regard to planning

Households of the opinion that their cooperative is currently facing challenges with regard to planning	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Strongly disagree	10	12.7	4	21.1	1	16.7	15	14.4
Disagree	19	24.1	7	36.8	2	33.3	28	26.9
Not decided	13	16.5	2	10.5	1	16.7	16	15.4
Agree	24	30.4	4	21.1	1	16.7	29	27.9
Strongly Agree	13	16.5	2	10.5	1	16.7	16	15.4
Total	79	100.0	19	100.0	6	100.0	104	100.0

Source: Survey results

4.7.2 Financial Planning

4.7.2.1 Annual budgeting

Table 4.31 shows the opinion of respondents whether regular budget process was developed and integrated into operating plans.

As per the table below, 50(45.9%) disagreed, 32(29.4%) strongly disagreed, 21(19.3%) undecided, 4(3.7%) agreed followed by 2(1.8%) strongly agreed.

4.7.2.2 Long-term financial planning

A significant number of respondents disagreed that budgets in the multipurpose cooperatives are developed and integrated regularly. This is an indication of a weak internal control system in the cooperatives.

Table 4. 31 Respondents on the perception regular budget process is developed and integrated into cooperative plans

Households of the opinion that a regular budget process to developed and integrated into operative plan by position is multipurpose cooperative	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Strongly Disagree	20	25.3	10	41.7	2	33.3	32	29.4
Disagree	38	48.1	10	41.7	2	33.3	50	45.9
Not decided	16	20.3	4	16.7	1	16.7	21	19.3
Agree	3	3.8	n.a	n.a	1	16.7	4	3.7
Strongly Agree	2	2.5	n.a	n.a	n.a	n.a	2	1.8
Total	79	100.0	24	100.0	6	100.0	109	100.0

Source: Survey results

Table 4.32 indicates the opinion of respondents on the cooperative long-term financial planning addresses sources and allocations of capital, consistent with cooperative strategy.

As indicated in the table, 40(36.4%) agreed, 37(33.6%) strongly agreed, 17(15.3%) disagreed, followed by a scale of 16(14.5%) undecided.

The analysis shows that a significant number of the respondents agreed that their cooperative long-term financial planning addresses the long-term sources and allocations of capital as per the cooperative strategy. This shows the existence of strong internal control in the cooperative

Table 4. 32 Respondents on the perception cooperative long-term financial planning addresses sources and capital consistent with cooperative strategy

Households opinion whether cooperatives long-term financial planning addresses sources and allocations of capital consistent with cooperative strategy	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Disagree	14	17.5	3	12.5	n.a	n.a	17	15.5
Not decided	10	12.5	5	20.8	1	16.7	16	14.5
Agree	25	31.3	14	58.3	1	16.7	40	36.4
Strongly Agree	31	38.8	2	8.3	4	66.7	37	33.6
Total	80	100.0	24	100.0	6	100.0	110	100.0

Note No respondent did strongly disagree and that column is omitted from the above table

Source: Survey results

Table 4.33 shows the opinion of respondents that there are evidences of continuous and strategic planning in the multipurpose cooperatives.

As shown in the table 38(34.5%) agreed, 32(29.1%) strongly agreed, 22(20%) undecided followed by 18(16.4%) disagreed.

This shows the existence of good internal control in the multipurpose cooperatives.

Table 4. 33 Respondents on the opinion that there are evidences of continuous and strategic planning in the cooperative

There are evidences of continuous and strategic planning	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Disagree	15	18.8	2	8.3	1	16.7	18	16.4
Not decided	14	17.5	7	29.2	1	16.7	22	20.0
Agree	27	33.8	8	33.3	3	50.0	38	34.5
Strongly Agree	24	30.0	7	29.2	1	16.7	32	29.1
Total	80	100.0	24	100.0	6	100.0	110	100.0

Source: Survey results

4.7.2.3 General Accounting

Table 4.34 indicates the opinion of respondents that cooperative has bank account in its own name.

As indicated in the analysis 105(95.5%) of the respondents agreed that their cooperative has a bank account with its own name.

The data analysis of the table below shows that the cooperatives are implementing strong internal control in managing their cash accounts.

Table 4. 34 Respondents on the perception cooperative has a bank account in its own name

The cooperative has bank account in its own name	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Disagree	3	3.8	n.a	n.a	n.a	n.a	3	2.7
Not decided	1	1.3	n.a	n.a	1	16.7	2	1.8
Agree	36	45.0	4	16.7	3	50.0	43	39.1
Strongly Agree	40	50.0	20	83.3	2	33.3	62	56.4
Total	80	100.0	24	100.0	6	100.0	110	100.0

Note No respondent did strongly disagree and that column is omitted from the above table

Source: Survey results

Table 4.35 indicates the opinion of respondents whether full accounting records are maintained and financial reports are regularly prepared in the multipurpose cooperative in accordance with recognized international accounting standards.

As indicated in the above table 42(38.5%) of the respondents strongly disagreed, 42(38.5%) disagreed, 23(21.1%) not decided, followed by 2(1.8%) agreed.

The analysis shows a significant number of respondents disagreed that their cooperatives prepare financial reports regularly as per the international accounting standards. Even the researcher's observation and the secondary data collected by the researcher match with the opinion of the respondents.

The reason for this problem is shortage of trained accountants in the cooperatives to prepare accounting reports as per the international standard

Table 4. 35 Respondents on the perception full accounting records are maintained in the cooperative in accordance with accounting standards and financial reports

Households of the opinion whether full accounting records are maintained and finance reports are regularly prepared in standard accordance to international	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Strongly disagree	30	38.0	10	41.7	2	33.3	42	38.5
Disagree	28	35.4	11	45.8	3	50.0	42	38.5
Not decided	19	24.1	3	12.5	1	16.7	23	21.1
Agree	2	2.5	n.a	n.a	n.a	n.a	2	1.8
Total	79	100.0	24	100.0	6	100.0	109	100.0

Source: Survey results

Table 4.36 indicates the opinion of respondents that full financial audit of the cooperative is undertaken annually under the supervision of qualified accountants appointed by the Board.

As shown in the table 68(61.8%) of the respondents disagree, 23(20.9%) strongly disagreed, 15(13.6%) not decided, 2(1.8%) agreed followed by 2(1.8%) strongly agreed.

The analysis below indicates a significant number of the respondents disagreed that the cooperative undertakes a full financial audit annually under the supervision of qualified accountants. This shows the existence of weak internal control systems in the cooperatives.

Table 4. 36 Respondents on the perception full financial audit of the cooperative is undertaken annually under supervision of qualified accountants appointed by board

Full financial auditing undertaken annually under the supervision of a qualified accountant appointed by the board.	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Strongly Disagree	18	22.5	5	50.8	n.a	n.a	23	20.9
Disagree	49	61.3	17	70.8	2	33.3	68	61.8
Not decided	12	15.0	2	8.3	1	16.7	15	13.6
Agree	1	1.3	n.a	n.a	1	16.7	2	1.8
Strongly Agree	n.a	n.a	n.a	n.a	2	33.3	2	1.8
Total	80	100.0	24	100.0	6	100.0	110	100.0

Source: Survey results

Figure 4. 4 Opinion of respondents on full auditing of their cooperative by qualified auditors

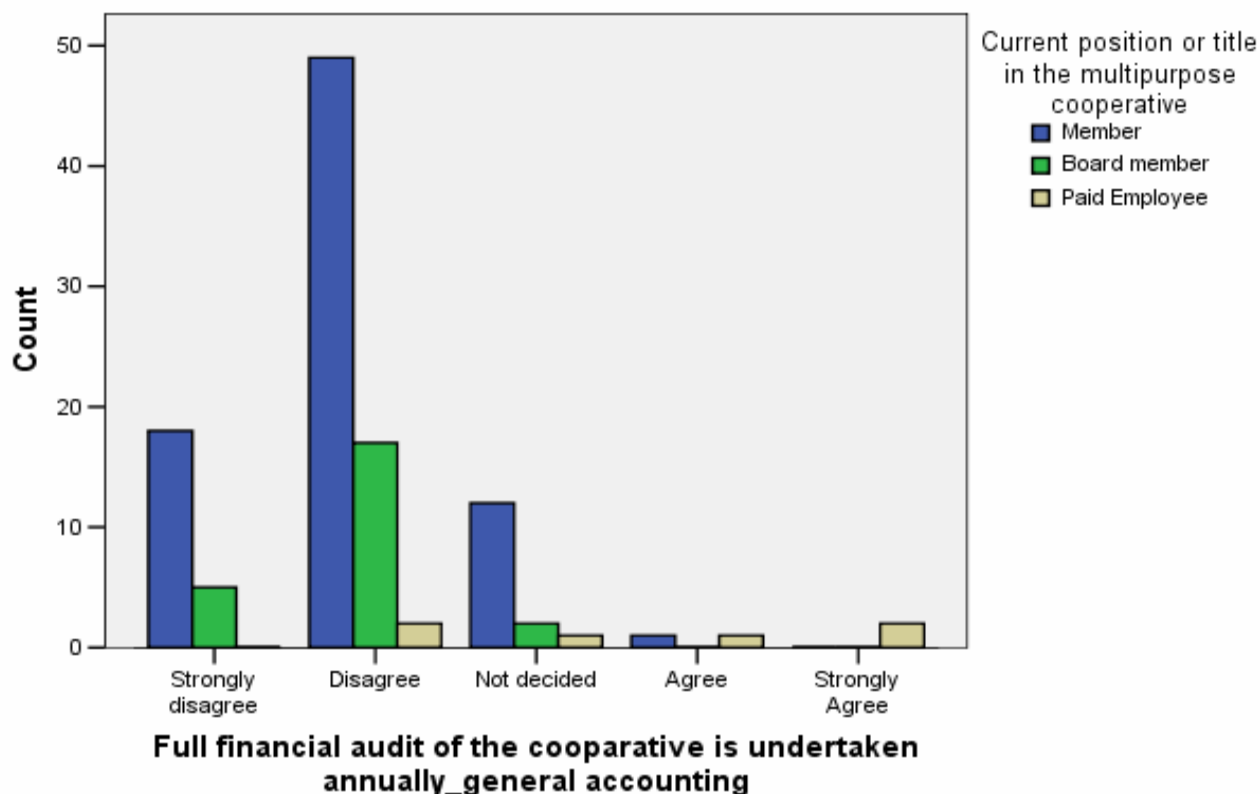


Table 4.37 indicates the opinion of that the cooperative audits information relative to future decision-making.

As shown in the table 78(70.9%) disagreed, 26(23.6%) strongly agreed, 4(3.6%) undecided, and 2(1.8%) agreed.

The implication of the above data analysis shows that multipurpose cooperative do not use the audit recommendations given by auditors in on order to improve their future activities. This shows the existence of a good internal control system.

Table 4. 37 Respondents on the perception cooperative audit information is used for future decision making

There is cooperative audit information relative to future decision making	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Strongly Disagree	22	27.5	3	12.5	1	16.7	26	23.6
Disagree	52	65.0	21	87.5	5	83.3	78	70.9
Not decided	4	5.0	n.a	n.a	n.a	n.a	4	3.6
Agree	21	2.5	n.a	n.a	n.a	n.a	2	1.8
Total	80	100.0	24	100.0	6	100.0	110	100.0

Note No respondent did strongly disagree and that column is omitted from the above table

Source: Survey results

4.8 Resource Mobilization and Management

Table 4.38 indicates the opinion of respondents that cooperatives have mechanisms in place to ensure that member equity is proportional to patronage.

As shown in the table 54(49.1%) agreed, 45(40.1%), strongly agreed, 7(6.4%) undecided, followed by 4(3.6%) disagreed.

The result clearly indicates that multipurpose cooperatives have mechanisms of ensuring member equity proportional to their patronage. This is a good mechanism of controlling and maintaining the cooperative character of the cooperatives

Table 4. 38 Respondents of perception on whether cooperatives have mechanisms in place to ensure that members equity proportional to patronage by position in the multi-purpose cooperative

Cooperatives have mechanisms in place to ensure equity of among members in proportion to patronage	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Disagree	3	3.8	n.a		1	16.7	4	3.6
Not decided	1	1.3	6	25.0	n.a	n.a	7	6.4
Agree	48	60.0	4	16.7	2	33.3	54	49.1
Strongly Agree	28	35.0	14	58.3	3	50.0	45	40.9
Total	80	100.0	24	100.0	6	100.0	110	100.0

Note No respondent did strongly disagree and that column is omitted from the above table

Source: Survey results

Table 4.39 indicates the opinion of respondents whether members continue to own their cooperative.

As shown in the table, 40(36.7%) strongly agree, 37(33.9%) agreed, 19(17.4%) not decided, 13(11.9%) disagreed.

A cooperative is a people centered organization. As such the concept of democracy is central to cooperative philosophy. The implication of the above analysis shows multipurpose cooperatives are owned by members. The researcher has also conducted unstructured discussion with the focus group in order to triangulate the primary data collected from respondents. The cooperative promotion office exerts influence on the cooperatives in relation to the type of input to be distributed and purchased because the government gives them collateral to take loan from the

banks. This indicates a weak internal control which violates the general principles of cooperatives.

Table 4. 39 Respondents on the perception members continue to own their cooperative

Members of cooperatives continue to own their cooperatives	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Disagree	11	13.8	n.a	n.a	2	33.3	13	11.9
Not decided	15	18.8	4	17.4	n.a	n.a	19	17.4
Agree	27	33.8	9	39.1	1	16.7	37	33.9
Strongly Agree	27	33.8	10	43.5	3	50.0	40	36.7
Total	80	100.0	23	100.0	6	100.0	109	100.0

Note No respondent did strongly disagree and that column is omitted from the above table

Source: Survey results

Table 4.40 indicates the opinion of respondents that members have a shared vision-what and why do members join and remain member of the cooperative.

As indicate in the above table, 37(33.9%) of the respondents agreed, 34(31.2%) strongly agreed, 22(20.2%) disagreed, 16(14.7%) were undecided.

The implication of the analysis is that members of the multipurpose cooperatives have shared vision and that is, why they join their multipurpose cooperatives. This is a foundation for good internal control system.

Table 4. 40 Respondents on the perception members have a shared vision- why they join to the cooperative

Members have shared vision what ad why they join and remand members of the cooperative	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Disagree	19	23.8	2	8.7	1	16.7	22	20.2
Not decided	10	12.5	5	21.7	1	16.7	16	14.7
Agree	21	26.3	14	60.9	2	33.3	37	33.9
Strongly Agreed	30	37.5	2	8.7	2	33.3	34	31.2
Total	80	100.0	23	100.0	6	100.0	109	100.0

Note No respondent did strongly disagree and that column is omitted from the above table

Source: Survey results

4.9 Cooperative business activities

Table 4.41 indicated the opinion of the respondents that cooperatives prepare sound feasibility plans for their economic activities.

As shown in the table, 42(38.2%) of the respondents agreed, 37(33.6%) strongly agreed, 19(17.3%) disagreed, 16(14.7%) are undecided.

From the analysis we can understand that a multipurpose cooperative prepares feasibility plans for their economic activities and this shows the implementation of good internal control system.

Table 4. 41 Respondents on the perception cooperative prepares sound feasibility plan

Cooperative prepare sound feasibility plans for their economic activities	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Disagree	17	21.3	2	8.3	n.a	n.a	19	17.3
Not decided	6	7.5	5	20.8	1	16.7	12	10.9
Agree	31	38.8	8	33.3	3	50.0	42	38.2
Strongly Agree	26	32.5	9	37.5	2	33.3	37	33.6
Total	80	100.0	24	100.0	6	100.0	110	100.0

Note No respondent did strongly disagree and that column is omitted from the above table

Source: Survey result

Table 4.42 indicates the opinion of respondents that multipurpose cooperatives prepare marketing and/or member recruitment plans for business.

As it is presented in the above table, 46(41.8%) of the respondents agreed, 31(28.2%) strongly agreed, 20(18.2%) disagreed, followed by 13(11.8%) of undecided.

Table 4. 42 Respondents on the perception cooperative prepares marketing/member recruitment plan

Multipurpose cooperatives prepare marketing and or member recruitment plan for business	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Disagree	18	22.5	1	4.2	1	16.7	20	18.2
Not decided	10	12.5	3	12.5	n.a	n.a	13	11.8
Agree	29	36.3	14	58.3	3	50.0	46	41.8
Strongly Agree	23	28.8	6	25.0	2	33.3	31	28.2
Total	80	100.0	24	100.0	6	100.0	110	100.0

Note No respondent did strongly disagree and that column is omitted from the above table

Source: Survey results

Table 4.43 indicates the opinion of respondents that state multipurpose cooperatives have comparative advantages over their competitors.

As shown in the analysis, 37(33.6%) of the respondents strongly agreed, 25(22.7%) undecided, 24(21.8%) disagreed, followed by 24(21.8%) of agreed.

Table 4. 43 Respondents on the perception cooperatives have comparative advantages over their competitors

Multi-purpose cooperatives have comparative advantages over their competitors	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Disagree	21	26.3	2	8.3	1	16.7	24	21.8
Not decided	18	22.5	7	29.2			25	22.7
Agree	16	20.0	6	25.0	2	33.3	24	21.8
Strongly Agree	25	31.3	9	37.5	3	50.0	37	33.6
Total	80	100.0	24	100.0	6	100.0	110	100.0

Note No respondent did strongly disagree and that column is omitted from the above table

Source: Survey results

Figure 4. 5 Opinion of respondents that cooperatives have comparative advantages over their competitors

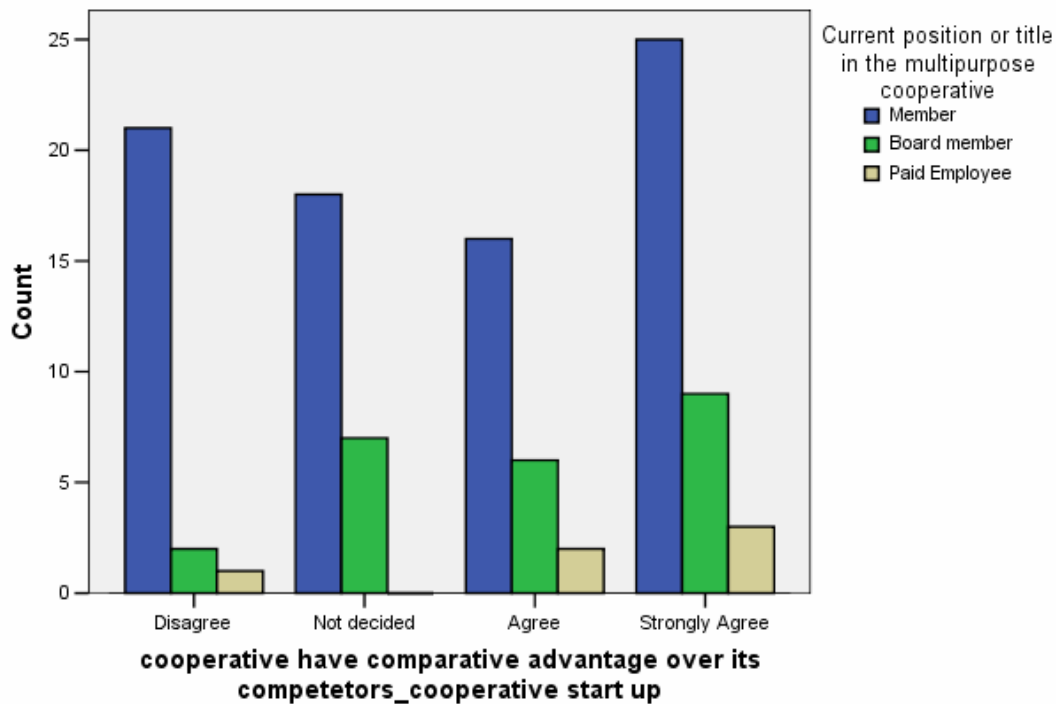


Table 4.44 indicates the opinion of respondents that there are sufficient membership base to operate profitably.

As presented in the table below, 54(49.1%) of the respondents strongly disagreed, 35(31.8%) agreed, 18(16.4%) undecided, followed by 3(2.7%) of disagreed.

From the analysis we can understand that cooperatives are required to work hard in order to enhance membership in order to play the required role in alleviating the problems of their members.

Table 4. 44 Respondents on the perception that there is sufficient membership base in the cooperative to operate profitably

There are sufficient membership base to operate profitably by multipurpose cooperative	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Strongly disagreed	38	47.5	12	50.0	4	66.7	54	49.1
Disagree	26	32.5	7	29.2	2	33.3	35	31.8
Not decided	13	16.3	5	20.8	n.a	n.a	18	16.4
Agree	3	3.8	n.a	n.a	n.a	n.a	3	2.7
Total	80	100.0	24	100.0	6	100.0	110	100.0

Note No respondent did strongly disagree and that column is omitted from the above table

Source: Survey results

Table 4.45 indicates the opinion of respondents that there are sufficient business transactions by potential members to operate profitably.

As indicated in the table below, 58(52.7%) of the respondents disagreed, 39(35.5%) strongly disagreed, 11(10%) undecided, and 2(1.8%) agreed.

From the analysis we can understand that the return of multipurpose cooperatives is low as compared to other businesses in the sector. This will not motivate members to invest in their cooperatives. So, the management should work on this matter to ensure the sustainability of their cooperatives.

Table 4. 45 Respondents on the perception that there is sufficient business transactions in the cooperative by potential members

There are sufficient baseness transactions by potential members profitably by multiple purpose cooperatives	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Strongly Disagree	31	38.8	6	25.0	2	33.3	39	35.5
Disagree	41	51.3	14	58.3	3	50.0	58	52.7
Not decided	6	7.5	4	16.7	1	16.7	11	10.0
Agree	2	2.5	n.a	n.a	n.a	n.a	2	1.8
Total	80	100.0	24	100.0	6	100.0	110	100.0

Source: Survey results

Table 4.46 shows the opinion of respondents that there are sufficient transactions by multipurpose cooperatives within competitive location to potential members to operate profitably.

As presented in the table, 92((83.6%) agreed, 10(9.1%) disagreed, followed by 8(7.3%) undecided.

The analysis shows that members of multipurpose cooperatives are not satisfied with the return they get from the investment made in their multipurpose cooperatives. This hinders the enhancement of membership and capital of the cooperatives

Table 4. 46 Respondents on the perception cooperative is with in a competitive location to operate profitably

There are sufficient business transaction by potential members profitably by multi-purpose cooperatives	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Disagree	9	11.3	n.a	n.a	1	16.7	10	9.1
Not decided	5	6.3	3	12.5	n.a	n.a	8	7.3
Agree	30	37.5	13	54.2	3	50.0	46	41.8
Strongly Agreed	36	45.0	8	33.3	2	33.3	46	41.8
Total	80	100.0	24	100.0	6	100.0	110	100.0

Note No respondent did strongly disagree and that column is omitted from the above table

Source: Survey results

Table 4.47 shows the opinion of respondents that there is a capacity of the multipurpose cooperative to attract investments from members.

As indicated in the table below, 32(29.1%) of the respondents not decided, 30(27.3%) agreed, 27(24.5%) strongly agreed, 20(18.2%) disagreed, and 1(0.9%) strongly disagreed.

Table 4. 47 Respondents on the perception that cooperative is with a capacity to attract investments

There is a capacity to attract investments in the multipurpose cooperatives	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Strongly disagreed	1	1.3	n.a	n.a	n.a	n.a	1	.9
Disagree	16	20.0	2	8.3	2	33.3	20	18.2
Not decided	25	31.3	7	29.2	n.a	n.a	32	29.1
Agree	13	16.3	14	58.3	3	50.0	30	27.3
Strongly Agreed	25	31.3	1	4.2	1	16.7	27	24.5
Total	80	100.0	24	100.0	6	100.0	110	100.0

Note No respondent did strongly disagree and that column is omitted from the above table

Source: Survey results

4.10 Operations

Table 4.48 indicates the opinion of respondents that there is annual growth rate in multipurpose cooperative membership.

As indicated in the table below, a significant number of the respondents 64(58.2%) agreed on the annual growth rate of membership in the multipurpose cooperatives,44(40%) strongly disagreed followed by 2(1.8%) undecided.

Table 4. 48 Respondents on the perception that there is an annual growth rate in cooperative membership

There is an annual growth rate in cooperative membership of multipurpose cooperatives	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Not decided	2	2.5	n.a	n.a	n.a	n.a	2	1.8
Agree	46	57.5	15	62.5	3	50.0	64	58.2
Strongly Agree	32	40.0	9	37.5	3	50.0	44	40.0
Total	80	100.0	24	100.0	6	100.0	110	100.0

Note No respondent did strongly disagree ,disagree and these columns are omitted from the above table

Source: Survey results

Table 4.49 indicates the opinion that there is a growth in members doing business with the multipurpose cooperative.

As presented in the table below, 46(41.8%) of the respondents agreed, 41(37.3%) strongly agreed, 14(12.7%) disagreed, and 9(8.2%) are undecided.

Table 4. 49 Respondents on the perception that there is a growth in members doing business with cooperatives

There is a growth in members who do business with multipurpose cooperative	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Disagree	13	16.3	1	4.2	n.a	n.a	14	12.7
Not decided	7	8.8	1	4.2	1	16.7	9	8.2
Agree	29	36.3	15	62.5	2	33.3	46	41.8
Strongly Agree	31	38.8	7	29.2	3	50.0	41	37.3
Total	80	100.0	24	100.0	6	100.0	110	100.0

Note No respondent did strongly disagree and that column is omitted from the above table

Source: Survey results

Table 4.50 shows the opinion that there is annual growth in multipurpose cooperative assets.

As presented in the table, 59(53.6%) strongly disagreed, 39(35.5%) disagreed, 7(6.4%) undecided, and 5(4.5%) agreed.

The implication of the analysis shows, the investment of members in the multipurpose cooperatives is low

Table 4. 50 Respondents on the perception that there is annual growth in cooperative assets

There is an annual growth in cooperative assets by position held in multipurpose cooperative	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Strongly Disagreed	44	55.0	12	50.0	3	50.0	59	53.6
Disagree	26	32.5	10	41.7	3	50.0	39	35.5
Not decided	7	8.8	n.a	n.a	n.a	n.a	7	6.4
Agree	3	3.8	2	8.3	n.a	n.a	5	4.5
Total	80	100.0	24	100.0	6	100.0	110	100.0

Source: Survey results

Table 4.51 indicates the opinion that cooperative is significant to the economic sector in which it operates.

As shown in the table, 40(37.7%) strongly agree, 37(34.9%) agreed, 17(16%) not decided, followed by a scale of 12(11.3%).

Table 4. 51 Respondents on the perception cooperative contributes to the sector it operates

There is significance to the economic sector in which it operates	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Disagree	11	14.1	1	4.5	n.a	n.a	12	11.3
Not decided	12	15.4	5	22.7	n.a	n.a	17	16.0
Agree	24	30.8	10	45.5	3	50.0	37	34.9
Strongly Agree	31	39.7	6	27.3	3	50.0	40	37.7
Total	78	100.0	22	100.0	6	100.0	106	100.0

Note No respondent did strongly disagree and that column is omitted from the above table

Source: Survey results

Table 4.52 shows the opinion of respondents that the multipurpose cooperative is improving the local community where it operates.

As shown in the table below, 58(53.2%) of the respondents disagreed that the multipurpose cooperative is improving the local community, 44(40.4%) strongly disagreed, followed by a scale of 7(6.4%) undecided.

One of the seven principles of cooperatives is that cooperatives should work for the sustainable development of their communities through policies approved by their members. If the community does not consider the cooperatives as means of settling problems, the sustainability of the cooperatives will be difficult.

Table 4. 52 Respondents on the perception cooperative is improving the livelihood of the local community where it operates

The multipurpose cooperative is improving the local community where it operates	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Strongly disagreed	35	44.3	6	25.0	3	50.0	44	40.4
Disagree	37	46.8	18	75.0	3	50.0	58	53.2
Not decided	7	8.9	n.a	n.a	n.a	n.a	7	6.4
Total	79	100.0	24	100.0	6	100.0	109	100.0

Note No respondent did strongly disagree and that column is omitted from the above table

Source: Survey results

Figure 4. 6 Perception of respondents that cooperatives are improving the local community

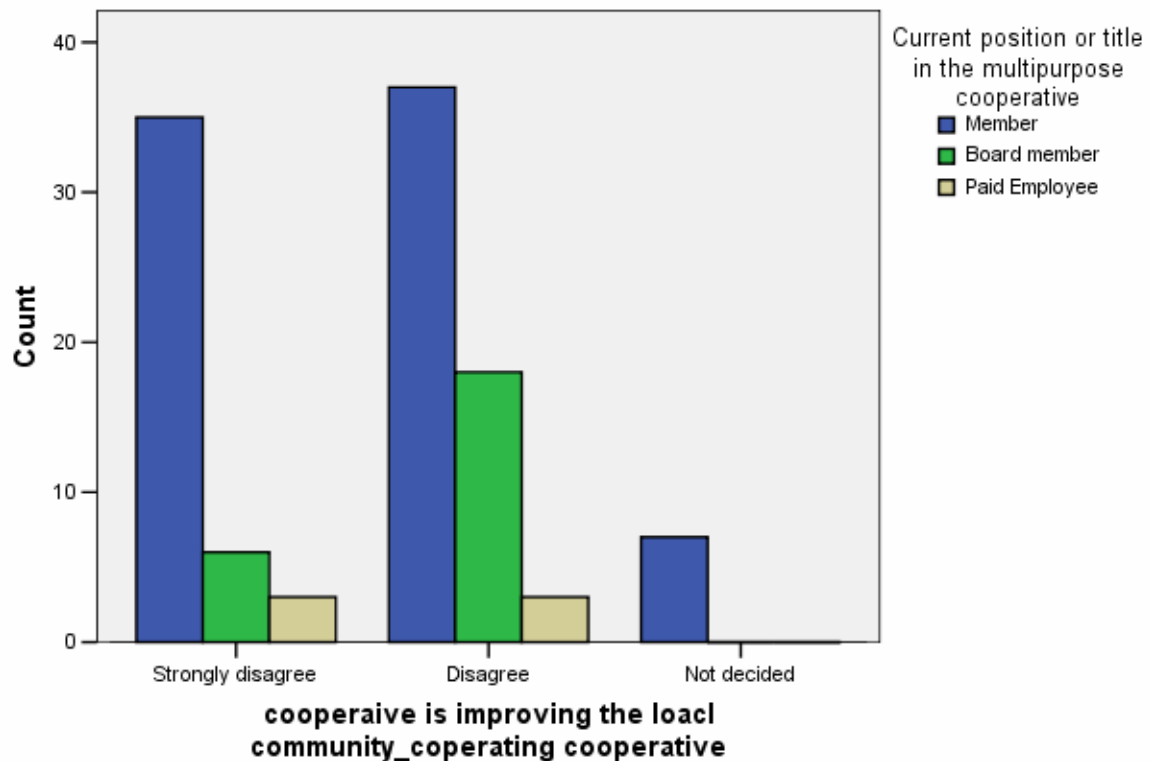


Table 4.53 indicates the opinion of respondents that multipurpose cooperative is increasing the economic welfare of its individual members.

As shown in the table below 48(44.4%) of the respondents strongly disagreed, 46(42.6%) disagreed, followed by 14(13.0%) of undecided.

The analysis shows that multipurpose cooperatives are not increasing welfare of their members because the dividend distributed to members becomes immaterial when distributed to individual members to bring change in the life of the member

Table 4. 53 Respondents on the perception cooperative is increasing the economic welfare of its individual members

The cooperative is increasing the economic welfare of its individual member by position held in the cooperative	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Strongly disagreed	32	41.0	13	54.2	3	50.0	48	44.4
Disagree	36	46.2	7	29.2	3	50.0	46	42.6
Not decided	10	12.8	4	16.7	n.a	n.a	14	13.0
Total	78	100.0	24	100.0	6	100.0	108	100.0

Note No respondent did strongly disagree and that column is omitted from the above table

Source: Survey results

Figure 4. 7 Perception of respondents that cooperatives are increasing welfare of their individual members

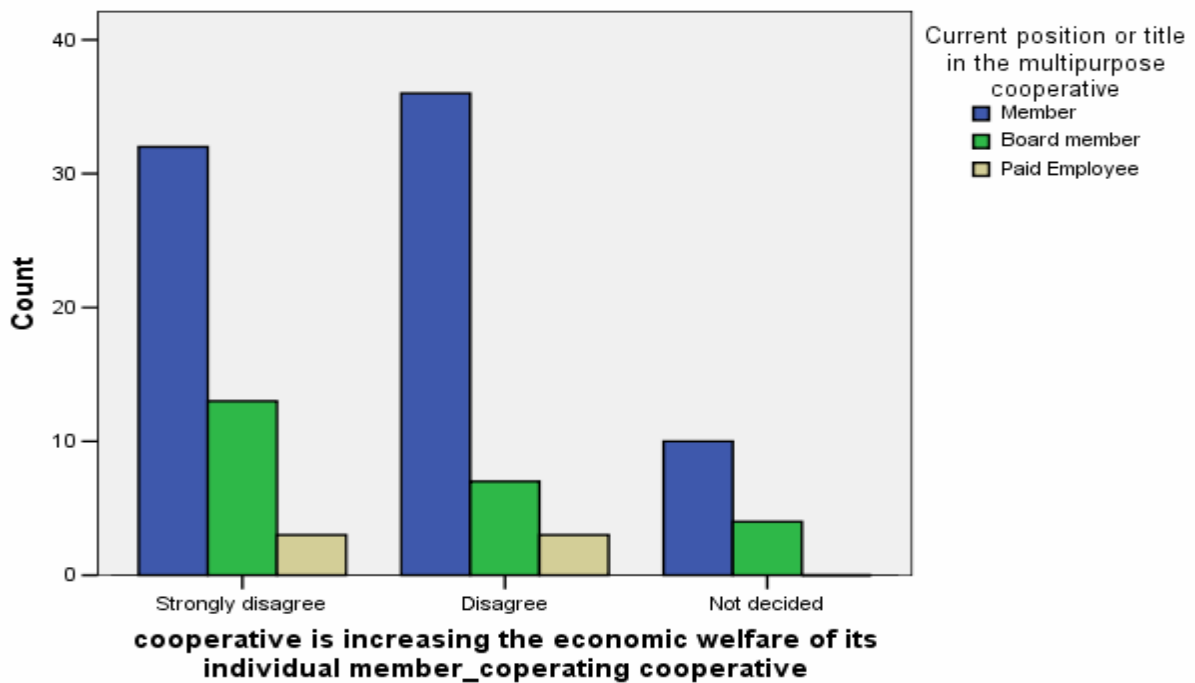


Table 4.54 shows the opinion of respondents that multipurpose cooperatives are linked through secondary and other structures to increase business volumes and efficiencies.

As shown in the analysis 38(34.5%) of the respondents strongly agreed, 35(31.8%) agreed, 20(18.2%) undecided, and 17(15.5%) disagreed.

Table 4. 54 Respondents on the perception that cooperatives are linked through secondary and other structures to increase business volumes and efficiency.

Cooperatives are linked through secondary and other structures to increase business volumes and efficiency	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Disagree	14	17.5	1	4.2	2	33.3	17	15.5
Not decided	14	17.5	6	25.0	n.a	n.a	20	18.2
Agree	26	32.5	8	33.3	1	16.7	35	31.8
Strongly Agreed	26	32.5	9	37.5	3	50.0	38	34.5
Total	80	100.0	24	100.0	6	100.0	110	100.0

Note No respondent did strongly disagree and that column is omitted from the above table

Source: Survey results

4.11 General Measurements

Table 4.55 indicates the opinion of respondents that members are satisfied with value of cooperatives.

As shown in the table below a significant number of respondents 105(95.5%) agreed 4(3.5%) undecided, 1(0.9%) disagreed.

Table 4. 55 Respondents on the perception members are satisfied with value of cooperatives

Members are satisfied with value of cooperatives willingness of leadership by position held in the multi-purpose cooperatives	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Strongly disagreed	33	41.3	14	58.3	2	33.3	49	44.5
Disagree	46	57.5	10	41.7	3	50.0	59	53.6
Not decided	1	1.3	n.a	n.a	1	16.7	2	1.8
Total	80	100.0	24	100.0	6	100.0	110	100.0

Note No respondent did strongly disagree and that column is omitted from the above table

Source: Survey results

Table 4.56 shows the opinion of respondents that trust between board management, among members, between members and management team.

As shown in the table below, 48(44%) of the respondents agreed, 33(30.3%) strongly agreed, 19(17.4%) undecided, and 9(8.3%) disagreed.

Table 4. 56 Respondents on the perception that there is trust between board and management, among members, between members and management team

There is trust between board and management among members between members and management team.	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Disagree	7	8.8	1	4.3	1	16.7	9	8.3
Not decided	13	16.3	5	21.7	1	16.7	19	17.4
Agree	37	46.3	9	39.1	2	33.3	48	44.0
Strongly Agreed	23	28.8	8	34.8	2	33.3	33	30.3
Total	80	100.0	23	100.0	6	100.0	109	100.0

Note No respondent did strongly disagree and that column is omitted from the above table

Source: Survey results

Table 4.57 indicates the opinion of respondents that all players understand their respective roles of transparency in governance, decision process and rules.

As per the table below 39(35.5%) of the respondents strongly agreed, 38(34.5%) agreed, 22(20%) undecided, and 11 (10%) disagreed.

Table 4. 57 Respondents on the perception that there is transparency in governance, decision process and rules of the cooperative

All players understand their respective roles in transparency in governance, decision process and rules	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Disagree	8	10.0	2	8.3	1	16.7	11	16
Not decided	17	21.3	4	16.7	1	16.7	22	20
Agree	31	38.8	5	20.8	2	33.3	38	34
Strongly Agree	24	30.0	13	54.2	2	33.3	39	35
Total	80	100.0	24	100.0	6	100.0	110	100

Note No respondent did strongly disagree and that column is omitted from the above table

Source: Survey results

Table 4.58 shows the opinion that collaboration across cooperatives, cooperative associations and ability to learn from each other.

As per the table below, 52(47.7%) of the respondents disagreed, 41(37.6%) strongly disagreed, followed by 16(14.7%) of undecided

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures. From the above analysis a significant number of respondents give their opinion that there is no collaboration across cooperatives. This shows the existence of weak internal control to apply the basic principles of cooperatives.

Table 4. 58 Respondents on the perception there is collaboration across cooperatives, cooperative associations.

Cooperatives, cooperative associations have ability to learn from each other	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Strongly Disagree	24	30.4	16	66.7	1	16.7	41	37.6
Disagree	43	54.4	5	20.8	4	66.7	52	47.7
Not decided	12	15.2	3	12.5	1	16.7	16	14.7
Total	79	100.0	24	100.0	6	100.0	109	100.0

Note No respondent did strongly disagree and that column is omitted from the above table

Source: Survey results

Figure 4. 8 Opinion of respondents on collaboration of cooperatives across cooperatives

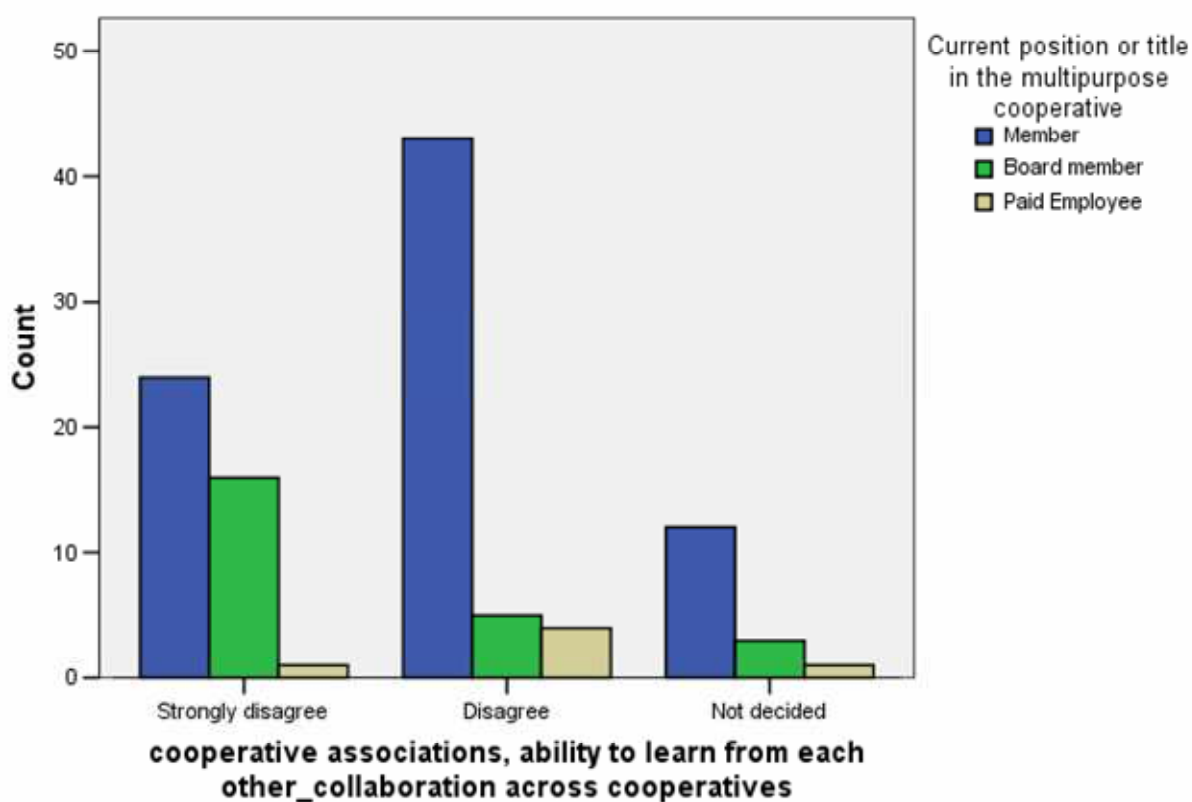


Table 4.59 indicates the opinion of respondents that cooperative culture or philosophy: open and supports learning to all levels.

As per the analysis below, 64(58.2%) agreed, 39(35.5%) strongly agreed, and 7(6.4%) disagreed.

Table 4. 59 Respondents on the perception cooperative culture/philosophy open, supports learning for members, managers, staff and community.

Cooperative culture or philosophy supports learning at all levels by position held in multipurpose cooperative	Current position or title in the multipurpose cooperative						Total	
	Member		Board member		Paid employee		Count	Percent
	Count	Percent	Count	Percent	Count	Percent		
Not decided	3	3.8	3	12.5	1	16.7	7	6.4
Agree	48	60.0	13	54.2	3	50.0	64	58.2
Strongly Agree	29	36.3	8	33.3	2	33.3	39	35.5
Total	80	100.0	24	100.0	6	100.0	110	100.0

Note No respondent did agree, strongly disagree and these columns are omitted from the above table

Source: Survey results

4.12 Focus Group Discussion and Observation

Here the researcher would like to state major findings from the focus group discussion classified in to management, members, and the cooperative as one entity.

Management Committee:

The researcher found that the management committee in the study area has the following characteristics:

- Low level of education and business knowledge and know how,
- Low attention given to the cooperative operation,
- Trends of dependency on government assistance in terms of subsidy for farm inputs and delivering consumer goods at lower prices,
- Short sighted leadership- seeking immediate and short-term benefits,
- Less commitment to participate in cooperative meeting and low effort for capital formation.

Members:

The researcher found that the multipurpose cooperative members in the study area have the following characteristics:

- Evaluating the cooperative in relation to their temporary benefits,
- Needing services quite below the market prices,
- Membership with less confidence, lacks interest to add more shares,
- Dependency trends on government assistance,
- Low participation in decision -making process, in annual general meetings and less control of their cooperative.

Cooperative:

The researcher found that the multipurpose cooperative members in the study area have the following characteristics:

- Incapable to lead, mismanagement, low commitment and initiatives,
- Dependency on government,
- Lack of cooperation among cooperatives,
- Shortage of capital base to address members' needs,
- Lack of infrastructure and other facilities.

As per the above analysis, the internal control existing in the six multipurpose cooperatives of Enderta Woreda was far from the best practices of internal control systems as per the COSO model.

Chapter V: Conclusion and Recommendation

5.1 Conclusion

Cooperatives are established for the benefit of the members in particular and for the community in general. The improvement of any cooperative depends on the involvement of its members, and on the attitude of the community.

Cooperatives in Ethiopia in general, and specifically in Tigray, are surrounded by various problems. Some of these are managerial problems which arise from lack of experience of the members of cooperatives.

In line with this, the study was designed to assess the internal control systems of the six multi-purpose cooperatives in the recently established South-Eastern Zone of Tigray with in the context of COSO model

The Committee of Sponsoring Organization's (COSO) model was developed by the International Association of Accountants. The independent variables are: Control environment, Risk assessment, and Control activities, Information and Communication and Monitoring.

Internal control is broadly defined as a process, affected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations

The dependent variables which show the effectiveness of internal control systems are: effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

The first category addresses an entity's basic business objectives, including performance and profitability goals and safeguarding of resources.

The second relates to the preparation of reliable published financial statements, including interim and condensed financial statements and selected financial data derived from such statements, such as earnings releases, reported publicly.

The third deals with complying with those laws and regulations to which the cooperative is subject. These distinct but overlapping categories address different needs and allow a directed focus to meet the separate needs.

The main proposition tested by the study was transparency of internal control system to members, board members and employees and other stakeholders.

The establishment of internal control system in the multipurpose cooperative serves the following primary objectives:

- a) to ensure the reliability and integrity of information in such a way that:
 - financial and operating records and reports contain accurate, reliable, timely, complete and useful information; and,
 - control over the record keeping and reporting are adequate and effective;
- b) to encourage compliance with prescribed policies, plans procedures and regulations;
- c) to safeguard assets-that is taking protective action against the loss of assets due to theft and negligence;
- d) to promote economical and efficient use of resources by minimizing unnecessary waste and duplication of efforts through clearly established standards; and,
- e) to ascertain the accomplishment of established objectives and goals for operations or programme, that is to ensure results are consistent with established objectives and goals, and operations are being carried out as planned.

A number of interrelated attributes that are important for the assessment of internal control systems are considered and analyzed in the study. This chapter presents the conclusions reached and the recommendation given in the study.

The overall profile of respondents indicated that the majority of the members of multipurpose cooperatives (76.4%) were males. This shows the participation of female members in the multipurpose cooperatives was very limited.

In case of educational status of the respondents 40.9% were illiterate, 47.3% complete primary level of education and 11.8% have secondary level of education. From this, we understood that the level of education of members and management body was at lower level to lead the cooperative strategically. The majority of the members of the multipurpose cooperatives were between the ages of 31-60 years.

44.5% of the respondents strongly disagreed with the dissemination and transparency of mission statement in the multipurpose cooperatives. Moreover, a significant number of respondents showed their disagreement on the democratic election of board of directors in the multipurpose cooperatives. The principle of democratic control defines the way in which members will make decisions. It assumes that members will participate in setting policy and giving broad direction to cooperative activities in a way in which no member has no greater "voice" than any other member.

Respondents show also their disagreement with regard to limitation of the board to reflect the interests and concerns of the members. This shows violation of the major principles of cooperatives showing weak internal control system.

From the focus group discussion and observation of the researcher, it could be concluded that there was low level of education of the management committee, trends of dependency on the government,

less commitment to participate in cooperative meeting, short sighted leadership of the cooperative, seeking short-term or immediate benefits, lack of cooperation among cooperatives etc.

The board and control committee were not involved sufficiently in evaluating the effectiveness of the “tone at the top” and takes steps to ensure the appropriate “tone”.

Key performance indicators and measurement criteria for achieving cooperative-wide objectives have not been communicated properly and were not uniformly understood.

The control committee did not review the scope of activities of the internal and external auditors.

The board has not clearly communicated the cooperative’s mission, strategy and business objectives to members and non- members to enhance membership.

Cooperatives view accounting function as secondary in the overall system of internal control.

Directors have no sufficient knowledge, industry experience and time to serve effectively.

The Control committee did not met with the internal and external auditors to discuss the reasonableness of the financial reporting process, system of internal control, significant comments and recommendations, and management’s performance

The audit committee did review the scope of activities of the internal and external auditors participation of members in their respective multipurpose cooperative was very less. Only few members spend their time and energy for the betterment of the cooperatives. And those who spent their time in the cooperative were not doing as per the requirement of the members. The members were not very much satisfied with the service they get and they were not eager to enhance their capital investment, either. This by itself was a problem in creating good image of the multipurpose cooperatives and an implication of weak internal control system.

A cooperative that does not solve immediate and urgent needs of its members is no more a cooperative as the beneficiaries' would lose trust upon.

5.2 Recommendation

It is recognized that cooperatives operate in all sectors of the economy; however, this recommendation applies to the six multipurpose cooperatives of Enderta Woreda.

- Measures should be adopted to promote the potential of cooperatives in the selected sectors and villages, irrespective of their level of development in order to assist them and their membership to:
 - create and develop income generating activities and sustainable market.
 - develop human resource capacities and knowledge of the values, advantages and benefits of the cooperative movement through education and training.
- Develop their business potential, including entrepreneurial and managerial capacities;
- Strengthen their cooperativeness as well as gain accesses to market and to institutional finance.
- Increase saving and investment.
- Increase social and economic wellbeing taking in to account the need to eliminate discrimination.
- Contribute to sustainable human development.
- Establish and expand available and dynamic distinctive sector of the economy, which includes cooperatives that respond to the social and economic needs of the community.
- The adoption of special measures should be encouraged to enable cooperatives, as enterprises and organizations inspired by solidarity, to respond to their member's needs

and the needs of society, including those of disadvantaged groups in order to achieve their social inclusion.

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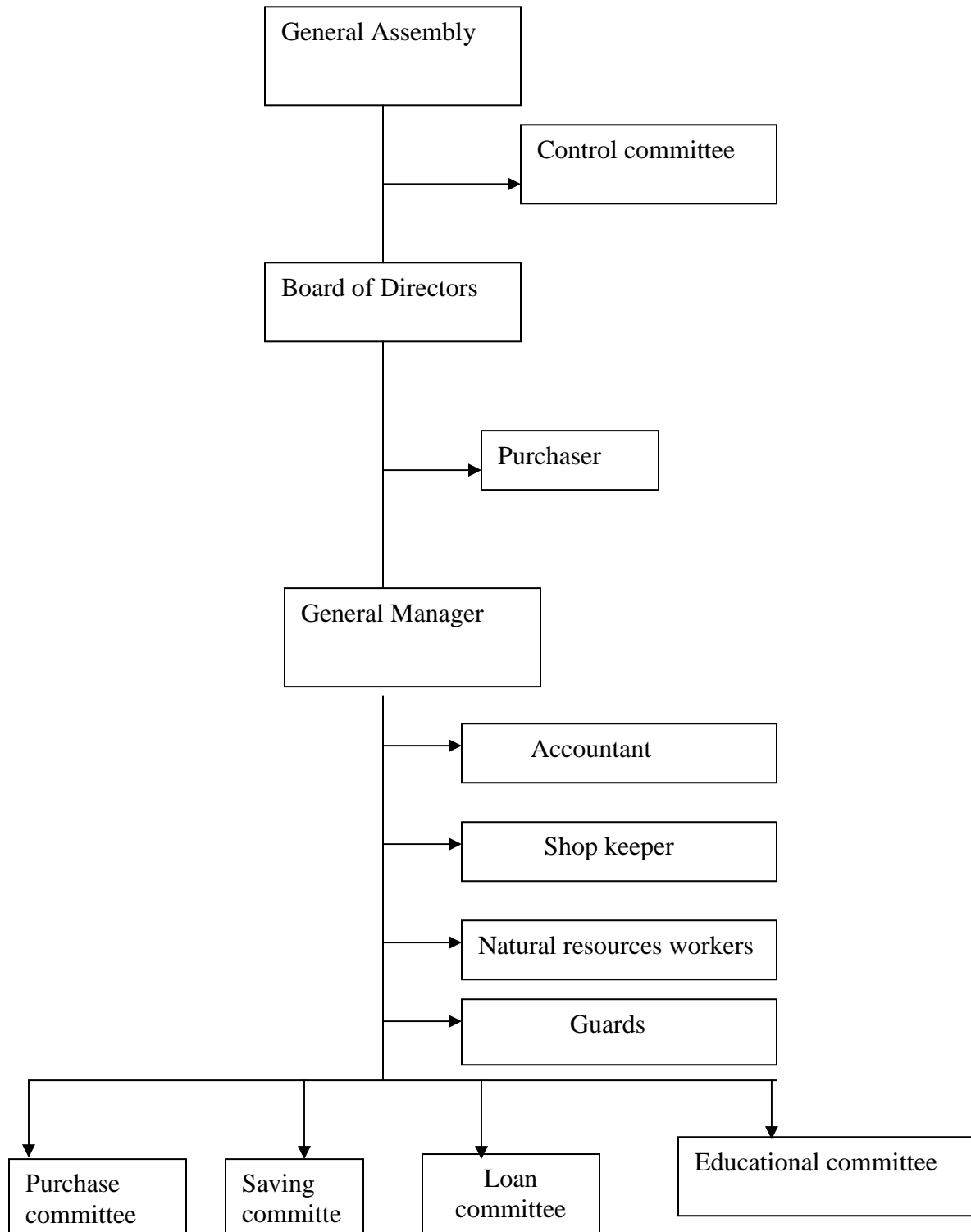
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<http://www.copacgva.org/idc/ilo- idc2000.htm>
- 80th ICA International Co-operative Day, 8th UN International Day of Cooperative (6th July 2002), "Society and cooperatives: Concern for Community",
<http://www.ica.coop/activities/idc/2002.html>
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- (<http://www.aicpa.org/>)
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APPENDICES

Figure 4. 9 Sample organizational structure of the multipurpose cooperatives



Summary table of outputs

		Current position or title in the multipurpose cooperative						Total	
		Member		Board member		Paid Employee		Count	Percent
		Count	Percent	Count	Percent	Count	Percent		
Educational status of respondents	Complete primary	28	35.0	21	87.5	3	50.0	52	47.3
	Secondary	10	12.5			3	50.0	13	11.8
	Illiterate	42	52.5	3	12.5			45	40.9
Total		80	100.0	24	100.0	6	100.0	110	100.0
Cooperative has a clear articulated mission_ Mission of Governance	Strongly disagree	29	36.3	16	66.7	4	66.7	49	44.5
	Disagree	26	32.5	4	16.7			30	27.3
	Not decided	5	6.3	1	4.2			6	5.5
	Agree	20	25.0	3	12.5	2	33.3	25	22.7
Total		80	100.0	24	100.0	6	100.0	110	100.0
Cooperative has bylaws_cooperative by laws	Disagree	2	2.5	1	4.2			3	2.7
	Not decided	2	2.5					2	1.8
	Agree	39	48.8	5	20.8	2	33.3	46	41.8
	Strongly Agree	37	46.3	18	75.0	4	66.7	59	53.6
Total		80	100.0	24	100.0	6	100.0	110	100.0
Cooperative holds general meeting democratic election of BoD_members meeting	Strongly disagree	34	42.5	3	12.5	4	66.7	41	37.3
	Disagree	34	42.5	13	54.2	1	16.7	48	43.6
	Not decided	7	8.8	6	25.0			13	11.8
	Agree	5	6.3			1	16.7	6	5.5
	Strongly Agree			2	8.3			2	1.8
Total		80	100.0	24	100.0	6	100.0	110	100.0
Cooperative establishes strategic and financial planning_board	Strongly disagree	6	7.6	4	16.7	1	16.7	11	10.1
	Disagree	13	16.5	2	8.3			15	13.8
	Not decided	5	6.3	2	8.3			7	6.4
	Agree	38	48.1	13	54.2	4	66.7	55	50.5
	Strongly Agree	17	21.5	3	12.5	1	16.7	21	19.3
Total		79	100.0	24	100.0	6	100.0	109	100.0
Cooperative ensures that decisions taken & recorded in meeting minutes_chairman	Not decided	7	8.8					7	6.4
	Agree	49	61.3	6	25.0	3	50.0	58	52.7
	Strongly Agree	24	30.0	18	75.0	3	50.0	45	40.9
Total		80	100.0	24	100.0	6	100.0	110	100.0

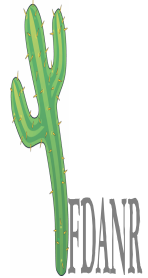
APPENDIXII

Summary table of outputs

		Current position or title in the multipurpose cooperative						Total	
		Member		Board member		Paid Employee		Count	Percent
		Count	Percent	Count	Percent	Count	Percent		
manager formulates short-and long range operational plans_ management	Strongly disagree	1	1.3					1	.9
	Disagree	9	11.3	1	4.2			10	9.1
	Not decided	18	22.5	6	25.0	2	33.3	26	23.6
	Agree	23	28.8	6	25.0	1	16.7	30	27.3
	Strongly Agree	29	36.3	11	45.8	3	50.0	43	39.1
Total		80	100.0	24	100.0	6	100.0	110	100.0
regular budget process is developed and integrated into operational plans_ annual budget	Strongly disagree	20	25.3	10	41.7	2	33.3	32	29.4
	Disagree	38	48.1	10	41.7	2	33.3	50	45.9
	Not decided	16	20.3	4	16.7	1	16.7	21	19.3
	Agree	3	3.8			1	16.7	4	3.7
	Strongly Agree	2	2.5					2	1.8
Total		79	100.0	24	100.0	6	100.0	109	100.0
cooperative has a bank account in its own name general accounting	Disagree	3	3.8					3	2.7
	Not decided	1	1.3			1	16.7	2	1.8
	Agree	36	45.0	4	16.7	3	50.0	43	39.1
	Strongly Agree	40	50.0	20	83.3	2	33.3	62	56.4
Total		80	100.0	24	100.0	6	100.0	110	100.0
value, willingness, leadership and direction_ members are satisfied	Strongly disagree	33	41.3	14	58.3	2	33.3	49	44.5
	Disagree	46	57.5	10	41.7	3	50.0	59	53.6
	Not decided	1	1.3			1	16.7	2	1.8
Total		80	100.0	24	100.0	6	100.0	110	100.0

APPENDIX-III

Questionnaire



Mekelle University

Faculty of Dryland Agriculture and Natural Resources

Department of Cooperatives

Date 30/01/2008

The objective of this questionnaire is to gather information in assessing the internal control in the multi-purpose cooperatives in Enderta Woreda, Tigray, Ethiopia to be used for academic research. Your opinions and experience are very essential for the interpretation of the overall findings of this study. The recommendations to be obtained from the research are also believed to help improve the internal control practice in multi-purpose cooperatives.

Responses will be examined in aggregate form and the research results will be held in strict confidence. The researcher is very grateful for your help, which needs devoting your precious time in filling this questionnaire.

Thank you in advance for your cooperation.

The Researcher

Questionnaire on Assessment of Internal Control Systems
in Multi-Purpose Co-operatives of Enderta Woreda, Tigray, Ethiopia.

Directions

Please read each statement and indicate your level of agreement by circling the option values. The options are SA= strongly agreed A=Agree N=Neutral; D = Disagree; SD= strongly disagree. In this rating, 5 stands for strongly agree (SA), 4 stands for Agree (A); 3 stands for neutral (N); 2 stands for disagree (D); and 1 stands for strongly disagree (SD).

If you make an error, cross it out and indicate your actual response.

Your elaboration will add tremendous value to the findings of this study. Hence, if you need more space to express your opinions use the back of each page in this questionnaire.

1. General information

I. Age

- ☐ Below 20 years
- ☐ Between 20 – 25 years
- ☐ Between 26 – 30 years
- ☐ Between 31 – 35 years
- ☐ Between 36 – 40 years
- ☐ Between 41- 45 years
- ☐ Between 46- 50 years
- ☐ Between 51 – 55 years
- ☐ Between 56- 60 years

ii. Gender

☐ Male ☐ Female

ii. Level of Education_____

iv. Your current position or title in the multi-purpose cooperative. Member☐ Board member☐

Paid employee☐ other (specify) ☐

v. Marital status single ☐ Married ☐ Divorced ☐ Widowed ☐

vi. Source of Income. Primary source☐ Secondary source☐

2. Governance					
A. Mission /Goal	SA	A	N	D	SD
1. The cooperative has a clearly articulated mission	5	4	3	2	1
2. The cooperative has set business goals to benefit its members	5	4	3	2	1
3. There are legal and regulatory barriers to the establishment and functioning of cooperatives which would cause them to have a hard time being successful	5	4	3	2	1
4. The cooperative is properly registered and operates in accordance with local laws and regulations (that should provide an enabling environment).	5	4	3	2	1
5. The cooperative mission reflects the member's interests and needs.	5	4	3	2	1
B. Cooperative bylaws					
1. The cooperative has its own bylaws.	5	4	3	2	1
2. Bylaws clearly define the duties of cooperative members, the Board and General manger.	5	4	3	2	1
3. Bylaws articulate the procedure responsibilities of General Meetings	5	4	3	2	1

4. Bylaws define requirements for eligibility for members	5	4	3	2	1
C. Membership meetings(member responsibilities)					
1. General meeting holds democratic election of BoD and opportunity is provided for multiple candidates for open positions	5	4	3	2	1
2. Annual meeting are attended by significant portion of members	5	4	3	2	1
D. Board of directors					
1. The board limits itself to:	5	4	3	2	1
• Establishing strategic and financial planning objectives	5	4	3	2	1
• Representing the interests of the cooperative to members, authorities and the general public	5	4	3	2	1
• Reflecting the interests and concerns of members in the decision – making process	5	4	3	2	1
• Oversee acquisition and preservation of cooperative assets	5	4	3	2	1
• Preserve the cooperative character of the organization	5	4	3	2	1
• Assess the cooperative’s performance	5	4	3	2	1
2. The board ensures the timely publication of agendas, minutes, financial returns, audit reports and any other materials required by laws and / or by laws to promote cooperative accountability and transparency	5	4	3	2	1
4. Board members do not engage in business or activities placing them in direct competition with any business unit or service offered by the cooperative	5	4	3	2	1
E. Board officers					

1. Chairman	5	4	3	2	1
<ul style="list-style-type: none"> Ensures that decisions are taken and recorded in meeting minutes 	5	4	3	2	1
2. Treasure	5	4	3	2	1
<ul style="list-style-type: none"> Ensure that cooperative accountants keep accurate, up-to-date records of all financial activities and provides written financial reports each month to the board and annually to cooperatives members. 	5	4	3	2	1
<ul style="list-style-type: none"> Oversees the compliance of financial records to audit procedures and guidelines 	5	4	3	2	1
3. Secretary	5	4	3	2	1
<ul style="list-style-type: none"> Keeps though minutes of cooperative meetings (records of members present, date, place, who presided, conclusions, reports) 	5	4	3	2	1
F. Management					
1. Manager formulates both short- and long-range operational plans in compliance with cooperative goals and objectives	5	4	3	2	1
2. Manager is clearly accountable to the board with respect to organizational policies, planning, etc. manager attends board meeting and presents detail operational and financial reports.	5	4	3	2	1
3. The manager gets the job done	5	4	3	2	1
4. The cooperative currently faces biggest challenge regarding:					
<ul style="list-style-type: none"> governance 	5	4	3	2	1
<ul style="list-style-type: none"> finance 	5	4	3	2	1
<ul style="list-style-type: none"> business activities 	5	4	3	2	1
	5	4	3	2	1

<ul style="list-style-type: none"> • planning 					
II. Finance					
A. Planning					
1. Annual budgeting					
<ul style="list-style-type: none"> • A regular budget process is developed and integrated into operating plans 	5	4	3	2	1
2. Long- term financial planning					
<ul style="list-style-type: none"> • The cooperatives log-term financial planning addresses sources and allocation of capital that is consistent with competitive strategy (i.e., planning favors increases in cooperative's net worth and the volume of cooperative business). 	5	4	3	2	1
<ul style="list-style-type: none"> • A business plan whose sophistication is correlated with the significance of the investment of individual members has been prepared. 	5	4	3	2	1
<ul style="list-style-type: none"> • There are evidences of continuous and strategic planning 	5	4	3	2	1
B. General Accounting					
1. The cooperative has a bank account in its own name.	5	4	3	2	1
2. Full accounting records are maintained in accordance with recognized international accounting standards and financial reports are regularly created and presented to the Board of Directors and Annually to the membership? Obtain most recent reports.	5	4	3	2	1

3. A full financial audit of the cooperative is undertaken annually. Under the supervision of qualified accountants appointed by the Board. Obtain or view last available document.	5	4	3	2	1
4. Cooperative audits information relative to future decision-making.	5	4	3	2	1
C. Resource Mobilization and Management					
1. Member Equity					
<ul style="list-style-type: none"> The cooperative has mechanisms in place to ensure that member equity is proportional to patronage 	5	4	3	2	1
<ul style="list-style-type: none"> Members continue to own the cooperative 	5	4	3	2	1
<ul style="list-style-type: none"> Do members have a shared vision- What and why do members join and remain member of the cooperative 	5	4	3	2	1
III. Business Activities					
A. Cooperative start up or new business activities					
1. The cooperative prepares sound feasibility plan for its economic activities	5	4	3	2	1
2. The cooperative prepares Marketing /member recruitment plan for its business.	5	4	3	2	1
3. The cooperative has comparative advantage over its competitors	5	4	3	2	1
4. There are sufficient membership base to operate profitably.	5	4	3	2	1
5. There are sufficient business transactions by potential members to operate profitably.					
6. The cooperative is with in a competitive location.	5	4	3	2	1
7. There is capacity to attract investments.	5	4	3	2	1

B. Operating cooperative					
1. There is annual growth rate in cooperative membership	5	4	3	2	1
2. There is growth in members doing business with the cooperative.	5	4	3	2	1
3. There is Annual growth in cooperative Assets	5	4	3	2	1
4. There is Annual growth in cooperative Business Volume	5	4	3	2	1
C. The cooperative is significant to the economic sector in which it operates	5	4	3	2	1
D. The cooperative is improving the local community where it operates.	5	4	3	2	1
E. The cooperative is increasing the economic welfare of its individual members (e.g.). Increased profit, based on business volume).	5	4	3	2	1
G. Cooperative gains solid financial record in a limited number of types of business activities prior to diversification	5	4	3	2	1
H. Primary cooperatives are linked through secondary of other structures (are there alliances or others strategic arrangements) to increase business volumes and efficiencies	5	4	3	2	1
IV. General Measurements					
1. Members are satisfied with regard to: <ul style="list-style-type: none"> Value of Cooperative Willingness to Commit (patronage, equity, products, serve) Leadership Direction 	5	4	3	2	1
2. Trust <ul style="list-style-type: none"> Between Board & Management Among Members 	5	4	3	2	1

• Between Members & Management Team					
3. Transparency in Governance.	5	4	3	2	1
• Decision process and Rules are Clear					
• All players Understand and Their Respective Roles					
4. Collaboration Across Cooperatives	5	4	3	2	1
• Cooperative Associations					
• Ability to learn from Each Other					
5. Organization “Culture” or Philosophy	5	4	3	2	1
• Open					
• Supports Learning All Levels					
• Need for Ongoing Education: Managers, Directors, Members, Staff					
6. The cooperative operates with in best practices in its sector	5	4	3	2	1

“Once again thank you very much for your cooperation”